THE MOTIVATIONS OF FRANCHISED AND INDEPENDENT ENTREPRENEURS IN SMALL BUSINESS ESTABLISHMENTS

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THE MOTIVATIONS OF FRANCHISED AND INDEPENDENT ENTREPRENEURS IN SMALL BUSINESS ESTABLISHMENTS

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CHAPTER I

INTRODUCTION

Purpose of the Study

This study is an attempt to discover differences in motivational aspects of franchised business owners, as compared with independent business owners in the small business community. The franchising concept appears to be an extremely important development for the ambitious small businessman, for the large franchisor, and for the American economy in general. Through this concept the best characteristics of large and small businesses are integrated and put to their optimum use. It is recognized that there are both advantages and disadvantages to the franchised business; however, it is felt that this business concept is a great positive step for the American free enterprise system.

With the emergence of a new business concept, new aspects of owners' motivations may have also emerged, and it is felt that the factors that motivate persons to enter the franchised world of business should be compared with the motivations of the traditional small business entrepreneur. It is hoped that this study will prove useful in further research and in assisting to uncover educational or motivational needs that may exist for the ambitious small businessman.

Statement of the Research Questions

It is hypothesized that with the opening of this whole new arena for the entrepreneurial spirit, a new type of entrepreneurial image is taking shape. This modern entrepreneurial franchisee may not have the same tolerance for risk-taking, the total need for independence, or the drive for power that the traditional entrepreneur possesses, nor may he even have the same basic motives which caused him to enter or to continue in his own business. These and other differences, such as educational level, family background, or age may actually exist. It is with these thoughts in mind that the question basic to this thesis is stated:

> What motivational differences exist between franchised and independent entrepreneurs in small business establishments?

In considering the primary research question, other questions emerge as subsidiary questions:

1. What is the importance of small business in the American economy?
2. What are the major problems of small business?
3. What is the importance of the franchised small business concept?
4. What is meant by the term "entrepreneur"?
5. What are some theories on entrepreneurial motivation?
6. What are the characteristics of the entrepreneurs of the study?
7. What are the motivations of the entrepreneurs in the study?

8. How aware are franchised and independent entrepreneurs of the needs of: a small business in general, their own business in particular; their customers; their employees?

Answers to the above questions should uncover many differences between the franchised and the independent entrepreneur, motivational and otherwise, along with the strengths and shortcomings of each business type.

Organization of the Study

Chapter II discusses the role of the small business in the American economy and introduces the franchised business. Chapter III discusses the entrepreneur and the main theories on entrepreneurial motivation. Chapter IV introduces the scope and methods for the study. Chapter V discusses the characteristics of the entrepreneurs in the study, the entrepreneurial motivations reflected by them, and how these methods relate to the theories discussed in Chapter III. The entrepreneur's awareness of self, customer, employee, and his own business itself, as evidenced by the survey data, is also analyzed and discussed in Chapter V. Chapter VI consists of a summary and the conclusions of this study, with suggestions for further research.

CHAPTER II

THE ROLE OF SMALL BUSINESS IN THE AMERICAN ECONOMY: A REVIEW OF THE LITERATURE

Importance of Small Business

> Since our nation's earliest days, small business has continuously provided us initiative, innovation, and economic growth. The result has been vast economic strength and a competitive atmosphere where the individual can rise to levels limited only by his own determination.[1]

That small business has been important in America's growth is an understatement. All of the corporate giants that exist today began as an idea, or innovation, of an earlier entrepreneur. Such corporations as General Electric, National Steel, and the Du Pont Corporation owe their existence to Thomas Edison, Ernest T. Weir, and General Henry du Pont. These men were examples of the traditional American entrepreneurial spirit. The type of driving personality that takes an idea or innovation and creates a business entity where none existed has been the subject of much study and literature. These early American entrepreneurs apparently had certain characteristics in common

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[1] U.S., Small Business Administration, Office of Public Information, SBA: What It Is ... What It Does, OPI-6 (Washington, D.C.: Government Printing Office, 1970), p. 1.

that caused them to succeed. A typical example of entrepreneurial genius is Ernest T. Weir. He had a dream, a goal of founding and building a completely integrated steel company, which he succeeded in doing. National Steel, which Weir founded in the early part of this century, has grown to become the third largest in the United States. What traits did Weir possess that caused him to succeed in such an undertaking? Ernest Dale, in The Great Organizers, lists Weir's traits as a highly logical mind, an innovating disposition, a willingness to face risk, few uncomplicated goals, great physical energy, great technical knowledge, great personal principles and honesty, and a sound knowledge and use of proper management techniques.[1] These are some of the common traits that are mentioned most about many of the pioneer entrepreneurs in America. But what of the ambitious individual of today? Are there existing among us now individuals possessing the entrepreneurial drive that caused men like Ernest T. Weir or Henry Ford to create?

The answer to this question is affirmative. Indeed, there does exist today the entrepreneurial spirit; the evidence is all around us. In recent years new businesses have been started at the rate of 400,000 annually.[2] This group of entrepreneurial hopefuls, the small business

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[1]Ernest Dale, The Great Organizers (New York: McGraw-Hill Book Company, 1960), p. 136.

[2]Dun and Bradstreet, Inc., The Failure Record through 1969 (New York: Dun and Bradstreet, Inc., 1970), p. 2.

community, accounts for a staggering 95 percent of all United States businesses in existence and numbers more than 5,200,000 individual small firms.[1] The sad counter to this bright picture is that although over 400,000 firms are started each year, between 350,000 and 400,000 are discontinued for various reasons.[2] This statistic represents a tremendous loss to the Gross National Product of the United States and the loss of a dream to many ambitious entrepreneurs and their families. Despite the efforts of the Small Business Administration, the Commerce Department, and others, the failure record actually appears to be worsening. The number of businesses that went into bankruptcy, or failed with actual loss to creditors, rose from 9,154 in 1969 to 10,748 in 1970, a rise of 17 percent.[3] With the number of failures on the rise, despite current sophisticated business methods and the high state of technology, what appears to be the major problems that face businesses today?

The Major Problems of Small Business

The major problems that a small business faces, according to the President's Task Force on Improving the Prospects of Small Business, are: (1) the need for sound management counseling, (2) the need for trained people, and

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[1]U.S., Small Business Administration, 1970 Annual Report (Washington, D.C.: Government Printing Office, 1971), p. 9.

[2]Dun and Bradstreet, Failure Record, p. 2.

[3]Small Business Administration, Annual Report, p. 18.

(3) the need for capital and financial guidance.[1] Of these major problems, the particular criticality of management counseling to small business is evident in that "management inexperience and ineptitude account for almost 90% of business failures, a percentage that varies but slightly over the years."[2]

The major problem of the small businessman, then, although generally not recognized by him as such,[3] is his own managerial incompetence. If the average small businessman lacks proper background and education in managerial techniques, where is he to acquire this knowledge and compensate for this lack? The fact is that there are agencies of the federal government, such as the Small Business Administration, which sponsor such management programs as SCORE (Service Corps of Retired Executives) and ACE (Active Corps of Executives). In addition to government aid, the plight of the ambitious entrepreneurial hopeful is being assisted by a few universities and authorities of the academic world.[4]

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[1]President's Task Force on Improving the Prospects of Small Business, Improving the Prospects of Small Business (Washington, D.C.: Government Printing Office, 1970), p. 3.

[2]Dun and Bradstreet, Failure Record, p. 2.

[3]For businessmen's ratings of their major problems, see Table 22, infra, p. 68.

[4]UCLA has instituted such a course in entrepreneurship. See "Entrepreneurs Teach Others How to Do It," Business Week, November 13, 1971; and David C. McClelland's The Achieving Society (Princeton: D. Van Nostrand Co., Inc., 1961) and Motivating Economic Achievement (New York: The Free Press, 1969), discussed later in this study.

The Franchised Small Business

The American free enterprise system itself has been an additional factor in producing a source of managerial education and assistance. This source is in the form of a new business mode which is full of entrepreneurial potential, namely, the franchised business system. The franchised business concept, although not wholly a new idea, experienced tremendous growth in the 1960's, and this growth is expected to continue. Although the exact growth potential is difficult to determine because of the lack of reliable statistical data and the newness of its dramatic appeal, the franchised business is seen as causing a "revival" in small business operations.[1]

The franchise has created a new outlet for the ambitious entrepreneurial spirit which has great potential impact on the American economy. Through the franchisor, or parent company, the franchisee is exposed to business techniques and managerial concepts that the independent entrepreneur would have to learn through experience or search out for himself. The effects of this managerial exposure, as well as other restrictions such as capital requirements imposed by the franchisor, are vividly evident in the drastically reduced failure rates of franchised businesses. Gilbert Lyle Magee, in an unpublished master's

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[1]U.S., Department of Commerce, Franchising in the Economy, 1969-1971 (Washington, D.C.: U.S., Department of Commerce, 1971), p. vi.

thesis, stated:

> In contrast to the relatively low failure rates quoted for franchised businesses, recent U.S. Department of Commerce figures show that 30 percent of businesses started by individuals fail in the first year. Another source cites an overall failure rate for small business of approximately 60 percent.
>
> . . . . . .
>
> One author surveyed the records of a large group of reputable franchising companies and reported that the highest failure rate he was able to find was 4 percent and that some had no failures at all.[1]

The franchisee must, however, sacrifice some of his independence and freedom of action as a result of benefiting from the business expertise and goodwill of the franchisor. The Department of Commerce, in Franchise Company Data, states:

> In a way, the franchisee is not his own boss because in order to maintain the distinctiveness and uniformity of the service and to insure that the operations of each outlet will reflect favorably on the organization as a whole--to protect and build its good will--the franchisor usually exercises some degree of continuing control over the operations of franchisees, and requires them to meet stipulated standards of quality. The extent of such control varies. In some cases franchisees are required to conduct every step of their operation in strict conformity with a manual furnished by the franchiser--and this may be desirable.[2]

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[1]Gilbert Lyle Magee, "Fast Food Franchising: The Better Way?" (unpublished master's thesis, The George Washington University, 1971), pp. 2-3.

[2]U.S., Department of Commerce, Bureau of Domestic Commerce, Franchise Company Data for Equal Opportunity in Business (Washington, D.C.: Government Printing Office, 1970), p. xi.

CHAPTER III

THE ENTREPRENEUR

The Entrepreneur

"Entrepreneur" is defined as "a person who organizes, manages, and assumes responsibility for a business or other enterprise."[1] The word, which is borrowed from the French term, comes from the same Latin root as the modern word "enterprise."

Many reasons have been offered for why a person is or is not successful in his own business, and what drives him to dedicate his life to his own business while others live comfortably and securely on their wages or salaries. The question "What causes a person to want to start his own business; to become an entrepreneur?" may be viewed as merely an extension of the more basic question, "Why do men work?" Men work to satisfy needs. Abraham H. Maslow states that men have needs arranged in a hierarchical order.[2] Assuming that the more basic needs are met, the ego need and the need for self-actualization motivate men to continue working or behaving in an entrepreneurial

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[1] Random House Dictionary of the English Language, College edition (1968), p. 442.

[2] Abraham H. Maslow, Motivation and Personality (New York: Harper & Row, Publishers, 1954). The needs are, in ascending order: physical, security and safety, social acceptance and belonging, ego, and self-actualization.

manner long after they have achieved a certain measure of success by contemporary standards. Maslow also states that the entrepreneur can be rewarded by means other than money; for instance, public honors, respect, and appreciation.[1] The point is also made by Maslow that the entrepreneurial initiator is equally important in any economic system, whether it be capitalist, socialist, communist, or fascist.

David C. McClelland goes further to imply that in the communist countries there is perhaps even more development of the entrepreneurial spirit at the present time than in the United States.[2] The entrepreneurial drive is not nourished merely by the prospect of becoming wealthy, which, in fact, is difficult to do in a communist country. If making money is not the reason men strive to create and maintain their own business, then what is the reason? Several theories attempt to relate the major factors which motivate entrepreneurial activity. These will be discussed subsequently in this chapter.[3] Before these motivational theories are discussed, an attempt will be made to establish what is meant by the traditional entrepreneur in America.

The so-called traditional American dream has been to "be my own boss," in the image of the "self-made man,"

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[1]Abraham H. Maslow, Eupsychian Management (Homewood, Ill.: Richard D. Irwin, Inc., 1965), pp. 202-04.

[2]David C. McClelland, "Business Drive and National Achievement," Harvard Business Review, July-August, 1962, p. 99.

[3]See infra, pp. 13-19.

who is the hero of American history.

> In popular conception and to some extent in the historical literature of America, the entrepreneur or enterprising man is a risk-taker--a man who braves uncertainty, strikes out on his own, and, through native wit, devotion to duty, and singleness of purpose, somehow creates business and industrial activity where none existed before.[1]

The entrepreneur has also been referred to as "a seat-of-the pants businessman. He's not likely to pore over behavioral science journals. In fact, he may not have finished high school."[2] He is also referred to as "an intolerant autocratic tyrant, willing to mortgage his wife's soul to start a business," and willing to take risks "without realizing it, that would make a good corporate manager break out in a cold sweat."[3] Karl A. Bostrom, founder of the Center for Venture Management, refers to entrepreneurs as the "Guerrilla Fighters of the Economic World."[4]

Statements have also been made regarding different entrepreneurial types, such as Arthur H. Cole's observance that there has been "a rising succession of entrepreneurial types obtaining over the decades, successively: rule-of-thumb,

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[1] Orvis F. Collins and David G. Moore, with Darab B. Unwalla, The Enterprising Man (East Lansing: The Michigan State University, Graduate School of Business Administration, 1964), p. 4.

[2] "What Makes Entrepreneurs Tick?" Steel, September 1, 1969, p. 29.

[3] Ibid.

[4] Ibid., p. 30.

informed, and sophisticated," and that a new type has emerged, "namely, mathematically advised."[1]

Many of the preceding descriptions do illustrate the historical entrepreneur, and they are perhaps highly representative of the contemporary American entrepreneur. For purposes of this study, however, the entrepreneur will be viewed as a man who is actively engaged in his own business. It is realized that economists or perhaps behavioral scientists would carry the definition much further in order to isolate the "true" entrepreneur, but in this study a distinction will be made only between franchised entrepreneurs and independent entrepreneurs.

Theories on Entrepreneurial Motivations

Power Motivation

One theory which attempts to answer the question of why men are drawn into entrepreneurial roles is centered around a drive for independence and a resentment of another's authority. According to this theory, an individual, in gaining power over his own actions and denying others any influence in affecting his actions, gains power and self-esteem. He is therefore motivated mainly by a struggle for a feeling of power. Money becomes a symbol of this attained power.

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[1]A. H. Cole, "The Entrepreneurs," Introductory Remarks, American Economic Review, May, 1968, p. 60.

In The Enterprising Man, Orvis F. Collins, David G. Moore, and Darab B. Unwalla set forth a picture of the power-motivated man and describe the pattern as the true "entrepreneurial mode."[1]

In a clinical dissection of the entrepreneurial individual, Collins, Moore, and Unwalla see his value system "steeped in middle class mores, the 'American Way,' the Protestant Ethic,"[2] and his plight is characterized by a lack of social mobility, a punishing drive to overwork, and a feeling of never being quite able to reach any definable, rewarding goal.[3] He is seen as a personality that "is characterized by an unwillingness to "submit" to authority, and inability to work with it, and a consequent need to escape from it."[4]

Achievement Motivation

The theory that a need for achievement is the true motivator of entrepreneurial action has been the primary work of McClelland. In The Achieving Society, Motivating Economic Achievement, and other literature, based on twenty-five years of research in human motivation, McClelland has reported on actual case testing of his theory, which

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[1]Collins, Moore, and Unwalla, The Enterprising Man, p. 35.

[2]Ibid., p. 59.

[3]Ibid.

[4]Ibid., p. 64.

serves to reinforce its validity. McClelland states, as have others, that the real reason people work is to get different types of satisfaction from life, for instance, achievement, power, or affiliation, and that once a person rises above the bare subsistance level these other motives appear. To McClelland, money is merely a symbol that proves the person is achieving. This is the reason that entrepreneurs naturally gravitate to a business role in a society such as ours, because it gives them a natural symbol of achievement to strive for.[1]

McClelland has isolated the thought patterns of achievement-oriented people, and has come to the conclusion that such a person is constantly thinking in terms of improving his performance.[2] The traits the achievement-motivated person exhibits are: (1) he likes situations in which he takes personal responsibility for finding solutions to problems and dislikes situations in which he has no control over the outcome, such as committee situations; (2) he tends to set moderate achievement goals, including calculated risks, which bring optimum satisfaction, settling neither for the too safe, conservative approach, nor for the overextended, too risky approach to situations; (3) he has a concern for how he is doing, therefore he seeks

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[1]David C. McClelland, "As I See It," Forbes Magazine, June 1, 1969, pp. 53-57.

[2]Ibid., p. 54.

concrete feedback. In the business entrepreneurial role, the feedback comes in the form of money, in that "profitability in a capitalist economy provides the best and simplest measure of success."[1] Besides these three fundamental characteristics, the achievement-motivated entrepreneur also shows a preference for working with experts rather than friends,[2] and other minor characteristics.[3]

McClelland attributes the existence of high achievement motivation in a person to three factors: (1) parents' high achievement standards, (2) parents' warmth and encouragement, and (3) a non-domininating, non-authoritarian father.[4] These qualities will produce achievement-minded children, who will in turn produce achievement-minded children, and so on. But McClelland goes further than this; he states, and seemingly has proved, that achievement motivation can be learned at any age.[5]

Affiliation Motivation

Although affiliation is not generally thought of as a motivator of entrepreneurial activity, it is indeed a concern of major proportions to many people. McClelland cites a study which shows that a need for affiliation may

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[1]David C. McClelland, "Business Drive," pp. 104-05.

[2]Ibid., p. 106. [3]Ibid., pp. 99-112.

[4]Ibid., p. 110.

[5]See especially McClelland's Motivating Economic Achievement.

in fact inhibit growth[1] rather than encourage it, because an affiliation-motivated person would strive to keep a small and friendly shop. McClelland cites another study which shows persons high in the need for affiliation prefer friends over experts for working partners.[2] In further discussing the influence of affiliation needs on a businessman's actions, McClelland states that such a person might never get the factory built as he set out to do, because he is unwilling to give up time with friends, or is afraid of hurting their feelings.

Anxiety Motivation

The awareness of impaired performance, or anxiety, is seen as an entrepreneurial motivator by Harry Schrage.[3] In the statement of this theory, Schrage adds that the capacity on the part of the entrepreneur to recognize and acknowledge his personal anxiety actually may increase his chance of success rather than hurt it.[4] In combining the entrepreneur's anxiety, or awareness of his impaired performance, with his awareness of customers and employees, Schrage derives a new term which relates the entrepreneur's degree of awareness, or "total awareness."[5] In discussing

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[1] Ibid., p. 15. [2] Ibid.

[3] Harry Schrage, "The R&D Entrepreneur: Profile of Success," Harvard Business Review, November-December, 1965, pp. 56-69.

[4] Ibid., p. 63. [5] Ibid.

this totally aware entrepreneur, Schrage concludes that he is the most successful, and that the degree of total awareness is the best index of an entrepreneur's profitability.[1]

Schrage compares the totally aware entrepreneurs with those motivated by power or achievement. He concludes that anxiety scores correlate negatively with power motivation, and explains this by stating that the power-motivated individual actually denies anxiety, in that he pictures himself always brave, aggressive, full of ideas, and able to produce in tight situations. By denying his anxiety, the entrepreneur thus fails to become totally aware of himself, his business, his customers, and his employees.[2]

In comparing achievement motivation to total awareness in entrepreneurs, Schrage states that achievement motivation may lead to profits, but it may also lead to losses, depending on how well the total environment is perceived. He concludes by visualizing the most successful individual as low in power motivation, high in achievement motivation, and, most importantly, high in the awareness of himself, his market, and his employees. While both power and achievement motivation may drive a person to create his own business, total awareness may dictate how successful he will be in it.[3]

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[1] Ibid., p. 64. [2] Ibid., p. 63.

[3] Ibid., p. 64.

Thus there appear to be two primary motivational patterns which most entrepreneurs follow; they are primarily motivated by either power needs or achievement needs. The entrepreneur may also reflect a certain degree of willingness to admit anxiety under stress, and he may possess a certain degree of total awareness of himself, the market, and his customers and employees. It is realized that there may be other motives that urge a person to behave in an entrepreneurial manner, such as in some cases admittedly money itself; however, in this study, an effort has been made to determine whether a person was motivated primarily by power, achievement, affiliation, or possibly anxiety, and then to determine his total awareness.[1]

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[1]The achievement-oriented questions of the questionnaire (see Appendix B) are: numbers 19, 26, 27, 28, 29, 30, 32, and 33; the power-oriented questions are: numbers 19, 26, 30, 32, and 33; the anxiety-oriented questions are: numbers 25 and 32; and the awareness questions are: numbers 23, 25, 34, 35, 36, and 37.

CHAPTER IV

SCOPE OF THE STUDY AND METHODS OF ANALYSIS

This study is based on information derived from two principal sources: a search of literature concerning entrepreneurial motivations and small business, and the analysis of data gathered through 240 questionnaires[1] mailed, of which 92 were returned and 73 were complete and usable. These questionnaires were mailed to small businesses in Virginia and Maryland. It was felt that the cross section sampling of small businesses in this region would give an accurate approximation of the typical small business, with some in the metropolitan areas of Washington, D.C., Baltimore, and Richmond, and others in more rural settings. No effort was made to sample any number of businesses in the District of Columbia because it was discovered that many studies and projects concerning the aid, training, and motivation of small businessmen had been directed to businesses within the District. It was felt that a much more representative sample would be possible by restricting the population to small businesses in the states of Virginia and Maryland.

[1] See Appendix B for questionnaire.

A current list of 2,930 small businesses in Virginia and Maryland was obtained from the Small Business Administration. Of this total, 240 businesses were selected on a random basis, and professionally reproduced questionnaires were mailed on approximately December 16, 1971. A stamped, return envelope was included with each mailing. To increase the return rate, a follow-up letter was mailed on approximately January 8, 1972.

The usable questionnaires were hand tabulated and statistically analyzed by ADP. The computer time for this project was made available by The George Washington University's computer center.

In this study, the statistical method chosen as the most appropriate for determining significant differences between the answers of franchised and independent owners was based on the binomial distribution. This was done since the answers to all questions except those asking for a specific age could be reduced to a dichotomy. Specifically, the respondents were asked to select a "yes" or "no" answer to some questions and to select one answer from the multiple choice questions.[1] In the multiple choice questions

[1]Questions 22 and 23 of the questionnaire were actually "ranking" type questions; however, many of the respondents interpreted these two questions as multiple choice. In order to utilize the responses to the greatest extent possible, all the responses were treated as multiple choice questions; that is, the first choice of the respondent was considered the only answer. In this way, all of the questionnaires could be utilized, whether the questions were interpreted as ranking or multiple choice questions.

the respondents had the choice "to choose" or "not to choose" a particular alternative, thus reducing each possible response to a dichotomy and making each the focal point in its turn. To determine the significance, or nonsignificance, of any difference between the answers of franchised and independent owners, the .05 level of significance was chosen, denoted as the Greek letter alpha (α). Thus, in this study, $\alpha = .05$ may be interpreted as a probability of .95 that the difference is in reality significant, and not due to chance.

The binomial model, although represented only approximately by the normal curve, was determined to be the most appropriate for this study. No attempt was made to determine whether a respondent's answers differed from some other "normal" distribution, or whether the proportion of respondents choosing a certain response in this study differed from the "true" proportion as represented in tables of binomial probability distributions. The purpose of this study was to determine whether any differences exist only between the motivations of franchised and independent owners; therefore, an attempt was made to determine only whether the answers of these two groups differ significantly from each other.

To make this statistical comparison, the percentage of franchised owners selecting a certain response was arbitrarily assigned as the value of the true proportion

to be tested, or the hypothesis (H). For example, as shown in Table 2 (page 29), 60.9 percent of the franchised owners selected response number one. The hypothesis for this particular test then became H: p = .609, or, it was hypothesized that there is no difference between the proportion of independent owners choosing this response and the proportion of franchised owners choosing it. If the hypothesis (H) is proven false, then the alternative (A) must be accepted, and, statistically, there would exist a difference between the two answers, to the .05 level of significance.

The procedure following in proving the hypothesis in each case, either true or false, was based on an approximation of the binomial distribution using the normal curve model. A formula using standard deviation units (z) was adopted in order to utilize the principle that the area under a normal curve represents probability. The z-value of 1.96 coincides with that area under a normal curve equal to 95 percent of the total area (or a probability of .95, or, in other words, the .05 level of significance). The z-value of 1.96 is read directly out of a normal curve table.[1] The formula used in calculating the z-value for each possible response is:

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[1]John E. Freund and Frank J. Williams, Elementary Business Statistics: The Modern Approach (Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1964), p. 437.

$$z = \frac{x - nP_o}{\sqrt{nP_o(1-P_o)}},$$ [1]

where:

z = the derived z-value in standard units,

x = the actual number of independent owners choosing the alternative,

n = the number of independent owners answering the question (in most cases, 50), and

P_o = the proportion of franchised owners choosing the alternative, i.e., the hypothesis; H: $P = P_o$.

The derived z-value for each test was compared with the actual z-value for a normal curve which would represent 95 percent of the area (hence, $\alpha = .05$). If the derived z-value happens to fall outside the interval $-1.96 \leq z \leq +1.96$, the difference is statistically significant, to the .05 level. On the other hand, if the derived z-value falls within the interval $-1.96 \leq z \leq +1.96$, then there is said to be no statistically significant difference between the two answers. Calculations for all questions were not done; only those calculations applicable to this thesis were done (shown in Tables 1 through 27).

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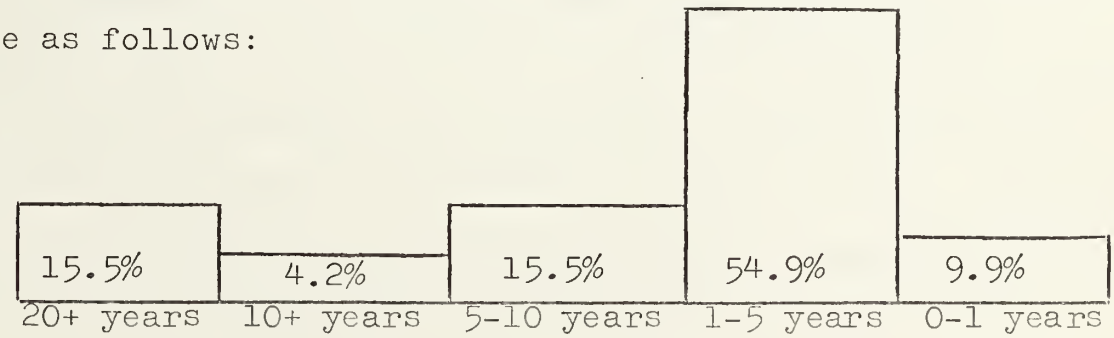
[1] Ibid., p. 275.

CHAPTER V

ANALYSIS OF THE DATA

The Characteristics of the Entrepreneurs in This Study

Questionnaires were mailed to 240 small businesses in the states of Virginia and Maryland. Of these 240, 92 were returned, of which 73, or 30.5 percent, were completed and usable for the analysis. Of these 73 questionnaires, 23, or 31.5 percent, were from franchised owners and 50, or 68.5 percent were from independent owners. When asked to indicate what their business provides, 36, or 50.0 percent, answered "a service"; 27, or 37.5 percent, answered "a product"; and 9, or 12.5 percent, answered "other." Included in the "other" category were some who indicated that they thought their business provided both a product and a service. Of the 73 businesses, 39, or 54.9 percent, had been in this particular business from one to five years. The various lengths of time in business were as follows:



The businesses replying had a mean of 17.23 employees; 38, or 52.1 percent, had started out as a single proprietorship, 23.3 percent as a partnership, and 24.7 percent as a corporation. As they now exist, 52.1 percent are a corporation, 8.2 percent are a partnership, and 39.7 percent are a single proprietorship. The typical owner in this group is a 42.86-year-old male, although 2 of the respondents were female entrepreneurs. For franchised owners, the ages ranged from 32 to 63 with a mean of 43.70. Independent owners' ages ranged from 23 to 67 with a mean of 42.47.

The question "What individual keeps your financial records?" brought the response indicated in Table 1. It is interesting to note that none of the business owners answered "none kept" to this question. It is statistically significant that a higher percentage of the franchised owners (74.0 percent) relied on independent accountants than did the independent owners (60.0 percent). Similarly significant is the fact that 28.0 percent of the independent owners kept their own books, while only 13 percent of the franchised owners did so. This question was patterned after a similar one in Meeting the Problems of Very Small Enterprises, a research report prepared by The George Washington University for the Small Business Administration, written by Janet M. Pomeranz and Leonard W. Prestwich. In this study, a tabulation was made concerning financial record keeping for firms that had gone bankrupt. The results showed that of the

TABLE 1

INDIVIDUAL KEEPING FINANCIAL RECORDS

Individual responsible for keeping records	All Firms		Franchised Firms		Independent Firms		Significance Test		
	No.	%	No.	%	No.	%	Hypothesis: P=	Derived Value z=	Significant Difference
Owner	17	23.3	3	13.0	14	28.0	.13	+3.15	Yes
Independent Accountant	47	64.4	17	74.0	30	60.0	.74	-2.26	Yes
Employee	9	12.3	3	13.0	6	12.0	.13	- .21	No
None kept	0	0	0	0	0	0	-	-	-
Totals	73	100.0	23	100.0	50	100.0			

bankruptcies, in 38.4 percent of the businesses the owners kept the records, in 23.3 percent of the businesses an employee kept the records, in 35.0 percent of the businesses an accountant kept the records, and in 3.3 percent of the businesses no records were kept.[1] Of the 73 respondents in this present study, a full 64.4 percent rely on an independent accountant for bookkeeping, which indicates that generally they have a high awareness of the importance of proper bookkeeping.

Frequency of Financial Statement Preparation

The question "How often do you prepare your financial statements" brought the response as shown in Table 2.

There is a notable difference between the percentage of franchised owners that prepare their statements monthly (60.9 percent) and the percentage of independent owners that prepare their statements monthly (28.0 percent). This difference could possibly be attributed to the fact that: the franchisor requires monthly statements; the higher number of independent accountants utilized could have influenced the number of statements prepared; or, perhaps, the franchised owner, through more exposure to specialized training from the parent company feels the importance of

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[1]Janet M. Pomeranz and Leonard W. Prestwich, Meeting the Problems of Very Small Enterprises, Small Business Management Research Report prepared by The George Washington University for the Small Business Administration, 1962, p. 141. (Processed.)

TABLE 2

FREQUENCY OF FINANCIAL STATEMENT PREPARATION

Frequency	All Firms		Franchised Firms		Independent Firms		Significance Test		
	No.	%	No.	%	No.	%	Hypothesis: P=	Derived Value z=	Significant Difference
Monthly	28	38.4	14	60.9	14	28.0	.609	-4.76	Yes
Quarterly	22	30.1	6	26.1	16	32.0	.261	+ .95	No
Semiannually	10	13.7	2	8.7	8	16.0	.087	+1.83	No
Annually	13	17.8	1	4.3	12	24.0	.043	+6.84	Yes
None	0	0	0	0	0	0	-	-	-
Totals	73	100.0	23	100.0	50	100.0			

more frequent financial statements. The results of this question can be compared with the study done by Pomeranz and Prestwich, in which the number of financial statements per year were tabulated for bankruptcies, as follows:[1]

Number of Annual Financial Statements	Bankruptcies No.	Percent
1	17	28.8
2	1	1.7
3	2	3.4
4	1	1.7
12	4	6.8
None	34	57.6
	59	100.0

It is interesting to note that in the cited study, 57.6 percent of the businesses prepared no financial statements at all, while of the 73 businesses in this study all of them prepared statements at least annually.

Likewise, it is of interest that in the Pomeranz and Prestwich study, only 6.8 percent of the firms prepared monthly statements, while a full 38.4 percent of the 73 firms in this study prepared monthly statements. The span of time may account for some of the difference, since the Pomeranz and Prestwich study was published in 1962. Since this study was a random sample, it seems that at least a small percentage of the firms would have reflected "no statements prepared." However, this may be explained by the

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[1] Ibid.

fact that the sample was obtained through the Small Business Administration, and perhaps exposure to its assistance and requirements caused all owners to prepare at least the minimum number of statements.

Owners' Ratings of Risk in Their Business

The owners were asked to rate their type of business as to risk. The results are indicated in Table 3. The distributions are normal and could have been predicted with some validity. The only owners answering "riskless" or "very risky" were independent owners. The one that answered "riskless" also answered a later question on risk involved in gambling that he would "not gamble money away under any circumstances." The person giving "very risky" as the rating for his business stated, in answer to the gambling question, "I have no aversion to any gambling situation--I like them all."[1]

Ages at Which the Owners Had Their First Job and at Which They First Entered Business for Themselves

The owners were asked to indicate the age at which they had their first job. The results are shown in Table 4.

The largest percentage in each category had their first job at age 16, with the mean age being about 15. The owners were asked to indicate at what age they first went

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[1]See Table 20, infra, p. 63.

TABLE 3

OWNERS' RATINGS OF RISK IN THEIR BUSINESS

	All Firms		Franchised Firms		Independent Firms		Significance Test		
	No.	%	No.	%	No.	%	Hypothesis: P=	Derived Value z=	Significant Difference
Riskless	1	1.4	0	0	1	2.0	.020[b]	- .69	No
Not much risk Fairly stable	18	25.0	7	30.4	11	22.4	.304	-1.29	No
On the risky side	16	22.2	6	26.1	10	20.4	.261	- .98	No
Very risky	1	1.4	0	0	1	2.0	.020[b]	- .69	No
Totals[a]	72	100.0	23	100.0	49	100.0			

[a]One response was unusable.

[b]The assumed hypothesis was based on independent owners' answers, as no franchised owners picked this choice.

TABLE 4

AGE AT WHICH OWNERS HAD THEIR FIRST JOB

Age at First Job	All Firms		Franchised Firms		Independent Firms	
	No.	%	No.	%	No.	%
8	1	1.4	0	0	1	2.0
9	3	4.1	2	8.7	1	2.0
10	3	4.1	1	4.3	2	4.0
11	1	1.4	0	0	1	2.0
12	8	11.0	4	17.5	4	8.0
13	3	4.1	0	0	3	6.0
14	11	15.1	3	13.0	8	16.0
15	6	8.2	2	8.7	4	8.0
16	16	21.9	6	21.2	10	20.0
17	5	6.8	1	4.3	4	8.0
18	7	9.6	3	13.0	4	8.0
19	4	5.5	0	0	4	8.0
20	1	1.4	0	0	1	2.0
21	3	4.1	1	4.3	2	4.0
22	1	1.4	0	0	1	2.0
Totals	73	100.0	23	100.0	50	100.0
Mean	15.11		14.61		15.34	
Standard Deviation	3.07		2.99		3.08	
Significance[a] Test	H:P = .151		z = 1.73		Difference not significant	

[a]Significance test was based on average ages of owners.

into business for themselves. The answers overall varied from ages 16 to 58 with a mean of 32.31. The ages of franchised owners entering their own business ranged from 17 to 50 with a mean of 35.61, with the largest percentage (13.0 percent) being age 35. Ages of individual owners ranged from 16 to 58 with a mean of 30.76. The largest percentage (12.2 percent) was age 37.

Owner's Birthplace

For purposes of giving the entrepreneur a "birth location," the map of the United States was arranged into nine regions, as follows:

Region

1. Virginia, Maryland, North Carolina, West Virginia, Delaware, New Jersey.
2. Maine, Vermont, Massachusetts, Rhode Island, Connecticut, New Hampshire, New York.
3. Minnesota, Wisconsin, Iowa, Illinois, Missouri, Indiana, Kentucky, Ohio, Michigan.
4. North Dakota, South Dakota, Montana, Wyoming, Nebraska.
5. California, Nevada, Oregon, Idaho, Washington.
6. Texas, New Mexico, Oklahoma, Arizona, Utah, Colorado, Kansas.
7. Arkansas, Louisiana, Tennessee, Mississippi, Alabama, Florida, Georgia, South Carolina.
8. Alaska.
9. Hawaii.
10. All other areas.

Region 10 was designated as foreign born, including any area outside the United States.

The results of the question on birthplace are indicated in Table 5.

Nothing particularly noteworthy was found in this distribution. About three-fourths of the owners were born in the same region that they now live. Only 2, or 2.8 percent, of all owners were foreign born. This statistic is mentioned for comparison; Collins, Moore, and Unwalla, in their 1964 study, The Enterprising Man, found that 19.8 percent of the entrepreneurs were foreign born.[1]

Father's Birthplace

Another finding by Collins, Moore, and Unwalla was that 35.0 percent of the entrepreneurs in their study had foreign-born fathers.[2] The owners in the present study were asked to indicate the birthplace of their fathers. The results of the question are shown in Table 6.

There was a high correlation between the two groups of this study and the firms in the study by Collins, Moore, and Unwalla, Of the overall group, 15.8 percent had foreign-born fathers, and of the franchised owners 25 percent had foreign-born fathers and independent owners 12 percent. The possible importance of a foreign-born

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[1] Collins, Moore, and Unwalla, The Enterprising Man, p. 234. This study had as a sample (1) all light manufacturers, (2) firms established between 1945 and 1958, and (3) all entirely Michigan firms.

[2] Ibid.

TABLE 5

OWNER'S LOCATION OF BIRTH

Birth Region[b] of Owner (U.S. = 1-9)	All Firms		Franchised Firms		Independent Firms		Significance Test		
	No.	%	No.	%	No.	%	Hypothesis: P=	Derived Value z=	Significant Difference
1	53	73.6	16	72.8	37	74.0	.728	- .16	No
2	5	6.9	2	9.1	3	6.0	.091	- .76	No
3	6	8.3	2	9.1	4	8.0	.091	- .27	No
4	1	1.4	0	0	1	2.0	.020[c]	- .67	No
5	1	1.4	1	4.5	0	0	.045	-1.53	No
6	0	0	0	0	0	0	-	-	-
7	4	5.6	1	4.5	3	6.0	.045	+ .51	No
8	0	0	0	0	0	0	-	-	-
9	0	0	0	0	0	0	-	-	-
10	2	2.8	0	0	2	4.0	.040[c]	- .96	No
Totals[a]	72	100.0	22	100.0	50	100.0			

[a]One response to this question was unusable.

[b]Regions are grouped as follows:

Region 1 - Virginia, Maryland, Pennsylvania, North Carolina, West Virginia, Delaware, New Jersey.
Region 2 - Maine, Vermont, Massachusetts, Rhode Island, Connecticut, New Hampshire, New York.
Region 3 - Minnesota, Wisconsin, Iowa, Illinois, Missouri, Indiana, Kentucky, Ohio, Michigan.
Region 4 - North Dakota, South Dakota, Montana, Wyoming, Nebraska.
Region 5 - California, Nevada, Oregon, Idaho, Washington.
Region 6 - Texas, New Mexico, Oklahoma, Arizona, Utah, Colorado, Kansas.
Region 7 - Arkansas, Louisiana, Tennessee, Mississippi, Alabama, Florida, Georgia, South Carolina.
Region 8 - Alaska.
Region 9 - Hawaii.
Region 10 - All other.

[c]The assumed hypothesis was based on independent owners' answers, as no franchised owners picked this choice.

TABLE 6

FATHER'S BIRTHPLACE

Birth Region of Father[a]	All Firms		Franchised Firms		Independent Firms		Significance Test		
	No.	%	No.	%	No.	%	Hypothesis: P=	Derived Value z=	Significant Difference
1	41	58.6	9	45.0	32	64.0	.450	+2.71	Yes
2	4	5.7	2	10.0	2	4.0	.100	-1.43	No
3	8	11.4	2	10.0	6	12.0	.100	+ .47	No
4	0	0	0	0	0	0	-	-	-
5	0	0	0	0	0	0	-	-	-
6	1	1.4	1	5.0	0	0	.050	-1.62	No
7	5	7.1	1	5.0	4	8.0	.050	+ .97	No
8	0	0	0	0	0	0	-	-	-
9	0	0	0	0	0	0	-	-	-
10	11	15.8	5	25.0	6	12.0	.250	-2.12	Yes
Totals[b]	70	100.0	20	100.0	50	100.0			

[a]See Table 5, page 36, for regional groupings.

[b]Three responses to this question were unusable.

father as an influence in the entrepreneurial role was brought out in a statement by one of the respondents. He related that he was involved in his own business directly due to the fact that his father was a foreigner. He felt that after all his father had done and endured in order to come to America, there was no way to match up to his father's achievements except by starting his own business.

Father's Occupation

In The Enterprising Man, Collins reported the principal occupations of entrepreneurs' fathers as compared with those of business leaders' fathers. The categories of the tabulation are as follows:[1]

Father's Principal Occupation	Entrepreneurs Compared with Business Leaders	
	Percentage of Entrepreneurs (80 reporting)	Percentage of Business Leaders
Unskilled or semi-skilled laborer	18%	5%
Skilled laborer	12	10
Farmer	19	9
Clerk or salesman	6	8
Minor executive (including foreman)	2	11
Owner of small business	25	17
Major executive	0	15
Owner of large business	1	9
Professional man	10	14
Other	6	2
	99%	100%

[1] Ibid., p. 239.

The 73 entrepreneurs of this study were asked to indicate their father's line of business. The results are shown in Table 7.

As can be seen from Table 7, the largest percentage of owners' fathers were also involved in small businesses. This was also the case in the Collins study. Collins states: "But the most significant was the fact that 25 percent of the entrepreneurs' fathers were the owners of small businesses, often entrepreneurs themselves on a smaller scale."[1] He states further that "if we consider farmers and most professional men to be owners of small businesses, fully 55 percent of our sample of entrepreneurs came from entrepreneurial families."[2] If the same assumptions are made for the sample of 73 entrepreneurs of this present study, 51.4 percent of the overall group came from entrepreneurial families. For the franchised group, 52.3 percent came from entrepreneurial families, and for the independent owners, 51 percent. One explanation for the smaller total percentage of this study is that there are fewer farmers today than there were when the Collins study was made, between 1960 and 1962. Accordingly, the Collins sample was composed of firms established between 1945 and 1948, while the current sample consists of a majority of firms established for one to five years as of December, 1971,

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[1] Ibid., p. 238.

[2] Ibid.

TABLE 7

FATHER'S OCCUPATION

Father's Occupation	All Firms		Franchised Firms		Independent Firms		Significance Test		
	No.	%	No.	%	No.	%	Hypothesis: P=	Derived Value z=	Significant Difference
Unskilled or Semiskilled Laborer	15	20.8	5	21.7	10	20.4	.217	- .22	No
Skilled Laborer	14	19.4	4	17.4	10	20.4	.174	+ .55	No
Farmer	10	13.9	3	13.1	7	14.3	.131	+ .20	No
Clerk or Salesman	2	2.8	0	0	2	4.1	.041	- .99[b]	No
Minor Executive	0	0	0	0	0	0	-	-	-
Owner of Small Business	19	26.4	6	26.1	13	26.5	.261	+ .69	No
Major Executive	3	4.2	1	4.3	2	4.1	.043	- .75	No
Owner of Large Business	1	1.4	0	0	1	2.0	.020	- .68[b]	No
Professional Man	7	9.7	3	13.1	4	8.2	.131	-1.03	No
Other	1	1.4	1	4.3	0	0	.043	-1.49	No
Totals[a]	72	100.0	23	100.0	49	100.0			

[a]One response to this question was unusable.

[b]The assumed hypothesis was based on independent owners' answers, as no franchised owners picked this choice.

indicating about a twenty-year time span between the average dates of business establishment for the firms in the two studies.

Education Level of Owners

The entrepreneurs in this present study were asked to state whether they had completed high school, whether they had gone to college, and, if so, what degree they had earned. The results of this question are shown in Table 8.

As a group, the franchised entrepreneurs appear to be more highly educated than their independent counterparts. Although this observation is not statistically significant, the franchised entrepreneurs had a 91.3 percent high school completion rate while the independent had an 86.0 percent completion rate; however, 68.0 percent of the independent entrepreneurs attended college, compared with only 65.2 percent of the franchised. It is statistically significant that 32 percent of the independent entrepreneurs that attended college did not finish, while only 17.4 percent of the franchised entrepreneurs did not finish college. In Collins' report on the levels of education of entrepreneurs, of his sample of 84 entrepreneurs reporting, 36 percent did not finish high school, 25 percent finished high school, 19 percent attended college but did not finish, and 20 percent were college graduates. Collins states that the entrepreneurs' "failure to achieve in the educational sector may

TABLE 8

EDUCATION LEVEL OF OWNERS

Education Level	All Firms		Franchised Firms		Independent Firms		Significance Test		
	No.	%	No.	%	No.	%	Hypothesis: P=	Derived Value z=	Significant Difference
H.S. not completed	9	12.3	2	8.7	7	14.0	.081	+1.33	No
High School completed	64	87.7	21	91.3	43	86.0	.913	-1.33	No
Totals	73	100.0	23	100.0	50	100.0			
College not attended	24	32.9	8	34.8	16	32.0	.348	- .41	No
College attended	49	67.1	15	65.2	34	68.0	.652	+ .41	No
Totals	73	100.0	23	100.0	50	100.0			
No degree	20	27.5	4	17.4	16	32.0	.174	+4.55	Yes
Bachelor's degree	22	30.1	8	34.8	14	28.0	.348	+ .78	No
Master's degree	5	6.8	2	8.7	3	6.0	.087	+ .02	No
Ph.D. degree	2	2.7	1	4.3	1	2.0	.043	- .39	No
Totals[a]	49	67.1	15	65.2	34	68.0			

[a]The totals for this block add up to the total number of owners attending college in the prior block.

be related to their rejection of established organizations at a more general level."[1]

Owners' Reasons and Influences for Entering Their Own Business

A series of four questions was asked to determine the individual's own reasons for entering the particular business; any outside influence he may have had, either through other people or through a bad job experience; how he felt about leaving his previous job; and how his age may have influenced him. The results are shown in Tables 9, 10, 11, and 12.

Motivations of Entrepreneurs in the Study

Entrepreneurs' Reasons for Entering Business

The entrepreneurs were asked to choose from two statements the one that best described the reason they went into business for themselves. The first choice was: "To make money; to become as rich and powerful as possible because money is the score card of success." This question was designed to draw a response from a power-motivated individual, as can be seen from the key words, "money," "rich," "powerful," and "success." The second choice was: "To do something important and challenging; to put my true abilities and creative talent to work." This question was

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[1] Ibid., p. 237.

TABLE 9

THE REAL "PUSH" THAT INFLUENCED OWNERS TO GO INTO BUSINESS FOR THEMSELVES

	All Firms		Franchised Firms		Independent Firms		Significance Test		
	No.	%	No.	%	No.	%	Hypothesis: P=	Derived Value z=	Significant Difference
An inspiration or urging from a family member, friend or boss	15	22.4	3	13.6	12	26.7	.136	+2.55	Yes
The realization that I had gone about as far in my former job as I could go	26	38.8	9	40.9	17	37.8	.409	- .42	No
Making up my mind that I was going into business now and cutting short just the thinking about it	17	25.4	6	27.3	11	24.4	.273	- .43	No
I didn't know exactly what business I was going into, but I knew one thing--I had worked for my last boss!	9	13.4	4	18.2	5	11.1	.182	-1.23	No
Totals[a]	67	100.0	22	100.0	45	100.0			

[a]Six responses to this question were unusable.

TABLE 10

OWNER'S FEELINGS ABOUT LEAVING PREVIOUS JOB

Owner's Feeling	All Firms		Franchised Firms		Independent Firms		Significance Test		
	No.	%	No.	%	No.	%	Hypothesis: P=	Derived Value z=	Significant Difference
Forced to leave--did not have a choice	11	17.2	3	15.0	8	18.2	.150	+ .59	No
Happy to leave and get my business started	48	75.0	17	85.0	31	70.4	.850	-2.70	Yes
Frustrated in my previous job and would have quit soon anyway	5	7.8	0	0	5	11.4	.114[b]	-1.62	No
Totals[a]	64	100.0	20	100.0	44	100.0			

[a]Nine responses to this question were unusable. Several of the owners were still employed elsewhere, and others said that none of the three choices described their feelings.

[b]The assumed hypothesis was based on independent owners' answers, as no franchised owners picked this choice.

TABLE 11

OWNER'S REASON FOR ENTERING THIS PARTICULAR BUSINESS

Reason Given by Owner	All Firms		Franchised Firms		Independent Firms		Significance Test		
	No.	%	No.	%	No.	%	Hypothesis: P=	Derived Value z=	Significant Difference
Knowledge of, or familiarity with the business	20	29.4	3	13.6	17	37.0	.136	+4.6	Yes
Ambition for higher income	9	13.2	3	13.6	6	13.0	.136	- .97	No
Independence	15	22.1	6	27.3	9	19.6	.273	-1.18	No
Recognition of an opportunity	22	32.4	9	40.9	13	28.2	.409	-1.73	No
Security	2	2.9	1	4.5	1	2.2	.045	- .76	No
Totals[a]	68	100.0	22	100.0	46	100.0			

[a]Five responses to this question were unusable.

TABLE 12

AGE AS AN INFLUENCE ON THE OWNER'S DECISION TO GO INTO BUSINESS

Owner's Answer	All Firms		Franchised Firms		Independent Firms		Significance Test		
	No.	%	No.	%	No.	%	Hypothesis: P=	Derived Value z=	Significant Difference
Age was no influence at all. I would have done the same at any age	53	73.6	17	73.9	36	73.5	.739	- .07	No
If I had been younger I wouldn't have tried it	7	9.7	1	4.4	6	12.2	.044	+2.66	Yes
If I had been older I would not have tried it	12	16.7	5	21.7	7	14.3	.217	-1.26	No
Totals[a]	72	100.0	23	100.0	49	100.0			

[a]One response to this question was unusable.

designed to draw a response from an achievement-motivated individual by use of the key words, "important," "challenging," "true abilities," and "creative talent."

This question was one of a group of eight that were designed to reflect whether the individual is primarily power-motivated or achievement-motivated.

The research base from which the power-motivation choices were derived was primarily the findings of Collins. In his study, the findings represented the entrepreneur as a primarily power-motivated individual, in that his main motive for an entrepreneurial life is seen as resentment of others' authority,[1] while actively seeking a position of authority for himself.

The theory of McClelland, put forth in The Achieving Society and in Motivating Economic Achievement, is that entrepreneurs are motivated primarily by a need for achievement. The McClelland theory has been utilized to construct achievement-oriented choices in eight of the questions of the questionnaire. Therefore, the individuals completing the questionnaire could select either the power-oriented choice or the achievement-oriented choice, or one of the other motivational choices, such as affiliation- or anxiety-oriented.[2] The results of this question are reflected in Table 13.

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[1] Ibid.

[2] See questions 26 and 30 of the questionnaire, Appendix B.

TABLE 13

REASON ENTREPRENEUR DECIDED TO ENTER HIS OWN BUSINESS

Reason Given	All Firms		Franchised Firms		Independent Firms		Significance Test		
	No.	%	No.	%	No.	%	Hypothesis: P=	Derived Value z=	Significant Difference
To make money; to become as rich and powerful as possible because money is the scorecard of success	17	24.3	4	18.2	13	27.1	.182	+1.59	No
To do something important and challenging; to put my true abilities and creative talent to work	53	75.7	18	81.8	35	72.9	.818	-1.59	No
Totals[a]	70	100.0	22	100.0	48	100.0			

[a]Three responses to this question were not usable.

There seems to be a difference between franchised and independent owners in that, in answering the questions, only 18.2 percent of franchised owners reflected "power motivation," whereas 27.1 percent of the independent owners reflected "power motivation." This difference did not prove to be statistically significant.

Type of Business Goals Set by Owners

The next question that was designed to reflect power motivation or achievement motivation also included a choice that would reflect affiliation motivation. The question "What type of business goals would you set for yourself? had three choices: (1)"easily attainable, so that I can pursue other interests and hobbies" (affiliation motivation); (2) "moderately difficult goals, including calculated risks; when I achieve these goals I would set other, more difficult goals" (clearly achievement motivation); and (3) "very difficult goals that would pay off tremendously if attained, but if not attained they were probably too difficult for any man to reach" (power motivation).

Concerning high achievement individuals, McClelland states: ". . . some studies have shown that they have high confidence in their own ability to perform an unknown task and thus, from a subjective point of view, they may not feel that they are taking much of a risk in setting a

moderately difficult goal for themselves."[1] McClelland further states:

> They tend to set moderate goals for themselves and to work harder when the chances of succeeding are only moderately great. The reason seems to be that they are trying to maximize their achievement satisfaction, since obviously if the task is very easy they can feel no sense of accomplishment from succeeding at it, whereas if the task is very difficult they are unlikely to succeed at it.[2]

McClelland describes a person motivated by other than achievement needs thus:

> On the other hand, a man with a high fear of failure, the negative aspect of n Ach, tends to avoid most tasks of moderate difficulty. If he has other motives for performing a task at all, he will tend to prefer either very easy or very difficult tasks, because, in commonsense terms, he avoids in this way being judged for his capacity to achieve something. He is likely to succeed at an easy task, and if he fails at a very hard task, it is clearly not his fault.[3]

The results of this question are shown in Table 14. It would appear from these findings that the independent owners display higher achievement-motivation characteristics (82.6 percent) as compared with the franchised owners (52.2 percent). The owners that do not show achievement motivation are about equally distributed between affiliation motivation and power motivation. Of independent owners, only 8.7 percent are in these two groups, while of franchised owners, a full 26.1 percent are affiliation

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[1] McClelland and Winter, Motivating Economic Achievement, p. 51.

[2] Ibid., p. 50.

[3] Ibid., p. 16.

TABLE 14

TYPES OF BUSINESS GOALS SET BY OWNERS

Type of Goal Set	All Firms		Franchised Firms		Independent Firms		Significance Test		
	No.	%	No.	%	No.	%	Hypothesis: P=	Derived Value z=	Significant Difference
Easily attainable, so I can pursue other hobbies	10	14.5	6	26.1	4	8.7	.261	-2.69	Yes
Moderately difficult goals including calculated risks; when I achieve these goals I would set other, more difficult goals	50	72.5	12	52.2	38	82.6	.522	+4.12	Yes
Very difficult goals that would pay off tremendously if attained, but if not attained they were probably too difficult for any man to reach	9	13.0	5	21.7	4	8.7	.217	-2.14	Yes
Totals[a]	69	100.0	23	100.0	46	100.0			

[a]Four responses to this question were not usable.

motivated and 21.7 percent are power motivated. It would seem that of the franchised businesses more diverse motivations are involved. Perhaps the franchised owner has less total concern with achieving, because he is in the business as merely a stepping stone to getting rich (or powerful), or perhaps he is there for independence so that he can turn the business over to a subordinate and "go fishing" with friends (affiliation motivation). For the first time in this discussion, a remarkable difference between franchised and independent entrepreneurs appears to exist. Perhaps the typical franchised owner indeed does have other, more varied reasons for entering business which do not follow the historically assumed reasons.

Entrepreneur's Preference for Method of Decision Making

The next question was designed to draw out the achievement-oriented individual, although it may also reflect a need for power. McClelland points out that individuals possessing a high need for achievement dislike committee situations and would rather make decisions individually, in that they feel they are better equipped to reach a goal if they have personal control of the situation.[1]

The question was asked: "In solving business problems, would you rather make the final decision individually, or using a group of persons?" The results of the question are shown in Table 15.

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[1] Ibid., p. 51.

TABLE 15

OWNER'S PREFERENCE FOR INDIVIDUAL OR GROUP DECISION MAKING

Owner's Preference	All Firms		Franchised Firms		Independent Firms		Significance Test		
	No.	%	No.	%	No.	%	Hypothesis: P=	Derived Value z=	Significant Difference
Individually	46	63.9	16	69.6	30	61.2	.696	-1.27	No
Group of persons (committee)	26	36.1	7	30.4	19	38.8	.304	+1.27	No
Totals[a]	72	100.0	23	100.0	49	100.0			

[a]One response to this question was not usable.

A greater percentage of franchised owners reflect achievement-oriented preference for decision, though the difference is not statistically significant.

Entrepreneur's Preference for Working Partners: Friends or Experts

Another trait of the achievement-oriented individual, according to McClelland, is that he prefers to spend his time working with experts rather than friends.[1] In an effort to utilize this theory to isolate achievement motivation, the question was asked: "In setting up a new business, as in solving current business problems, would you rather work with friends who have worked in the field, or experts?" The results are shown in Table 16.

In this case, independent owners showed more motivation for achievement than did franchised owners, and franchised owners showed more affiliation motivation than did independent owners. The differences noted did not prove to be statistically significant, however.

Entrepreneur's Awareness of Negative Aspects of High Achievement Drive

McClelland noted that the entrepreneurial role may bring with it the negative aspects of a high achievement drive: "restlessness, overwork, neglect of family, and less time for friendly interaction."[2] The question was

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[1] Ibid., p. 58.

[2] Ibid.

TABLE 16

OWNER'S PREFERENCE OF WORKING PARTNERS (FRIENDS OR EXPERTS)

Owner's Preference	All Firms		Franchised Firms		Independent Firms		Significance Test		
	No.	%	No.	%	No.	%	Hypothesis: P=	Derived Value z=	Significant Difference
Friends	28	38.9	9	40.9	19	38.0	.409	- .42	No
Experts	44	61.1	13	59.1	31	62.0	.591	+ .42	No
Totals[a]	72	100.0	22	100.0	50	100.0			

[a]One response to this question was not usable.

asked, with a yes or no response choice, if the individual felt that he displayed any of these characteristics. The results are shown in Table 17.

It is interesting to note that in all questions, the franchised entrepreneur showed a higher degree of coincidence with the entrepreneurial role that McClelland describes.

It is of particular interest that a full 90.9 percent of the franchised entrepreneurs felt they did not have enough time to pursue outside interests, such as hobbies, as they would like. This may show that, instead of merely more time unwillingly devoted to work by the franchisee, other factors are motivating him to work. This would seem to agree with the results of Question 26 of the questionnaire (see Table 14), which reflects more diversified motivations possessed by the franchised owner as compared with the independent owner.

Motivating Tendencies as Reflected by Thoughts in Leisure Time

In an effort to get a more subtle comparison of the motivations causing these individuals to lead an entrepreneurial role, another question was asked for which the possible answers were clearly affiliation-, achievement-, or power-oriented. The business owner was asked: "What types of things do you think about if you are not actively involved in solving a particular business problem?" The

TABLE 17

OWNER'S AWARENESS OF NEGATIVE ASPECTS OF ENTREPRENEURIAL ROLE

Does Owner Feel That He:	All Firms		Franchised Firms		Independent Firms		Significance Test		
	No.	%	No.	%	No.	%	Hypothesis: P=	Derived Value z=	Significant Difference
Shows restlessness?									
Yes	49	74.2	17	85.0	32	69.6	.850	-2.90	Yes
No	17	25.8	3	15.0	14	30.4	.150	+2.90	Yes
Total[a]	66	100.0	20	100.0	46	100.0			
Overworks himself?									
Yes	57	81.4	19	86.4	38	79.2	.864	-1.46	No
No	13	18.6	3	13.6	10	20.8	.136	+1.46	No
Total[b]	70	100.0	22	100.0	48	100.0			
Neglects his family?									
Yes	42	63.6	14	70.0	28	60.9	.700	-1.35	No
No	24	36.4	6	30.0	18	39.1	.300	+1.35	No
Total[c]	66	100.0	20	100.0	46	100.0			
Has less time for hobbies, etc. than he would like?									
Yes	54	79.4	20	90.9	34	73.9	.909	-4.01	Yes
No	14	20.6	2	9.1	12	26.1	.091	+4.01	Yes
Total[d]	68	100.0	22	100.0	46	100.0			

[a]Seven responses to this question were not usable.

[b]Three responses to this question were not usable.

[c]Seven responses to this question were not usable.

[d]Five responses to this question were not usable.

basis for this question was a statement by McClelland:

> If a man spends his time thinking about doing things better, the psychologist says he has a concern for achievement. In other words he cares about achievement or he would not spend so much time thinking about it. If he spends his time thinking about family and friends, he has a concern for affiliation; if he speculates about who is boss, he has a concern for power, and so on.[1]

This question was purposely oriented toward after-work, or leisure-time periods of the day. The results are shown in Table 18.

The results of this question agreed closely for franchised and independent owners. A majority showed achievement-oriented thoughts, closely followed by affiliation-oriented thoughts, while the frequency of power-oriented thoughts was quite low.

Motivation as Reflected by Owner's Feelings of Anxiety, Achievement, or Power

The owners were asked to relate when they thought they got best results from themselves. The choices were designed to reflect motivation through anxiety, achievement, or power. The results are shown in Table 19.

How Owners Perceive Risk Taking

McClelland states that individuals with high needs for achievement avoid typically all gambling situations in which they cannot control, to a certain degree, the

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[1]McClelland, "Business Drive," pp. 100-101.

TABLE 18

OWNERS' THOUGHT PATTERNS DURING LEISURE TIME

Thinks about:	All Firms		Franchised Firms		Independent Firms		Significance Test		
	No.	%	No.	%	No.	%	Hypothesis: P=	Derived Value z=	Significant Difference
Recreation with family/ friends	28	40.6	8	40.0	20	40.8	.400	+ .12	No
Solving current problems in a better way	38	55.1	11	55.0	37	55.1	.550	+ .01	No
Who is winning? Which one of us is boss? etc.	3	4.3	1	5.0	2	4.1	.050	- .29	No
Totals[a]	69	100.0	20	100.0	49	100.0			

[a]Four responses to this question were not usable.

TABLE 19

OWNERS' MOTIVATIONS TO PRODUCE (ANXIETY, ACHIEVEMENT, OR POWER)

Situation in which owner gets best results:	All Firms		Franchised Firms		Independent Firms		Significance Test		
	No.	%	No.	%	No.	%	Hypothesis: P=	Derived Value z=	Significant Difference
When he gets behind and has to really push to catch up	12	16.7	4	17.4	8	16.3	.174	+ .20	No
When he feels he is really going somewhere, business is good	57	79.2	19	82.6	38	77.5	.826	+ .20	No
When he feels he is a real symbol of power and success	3	4.1	0	0	3	6.2	.062[b]	-1.23	No
Totals[a]	72	100.0	23	100.0	49	100.0			

[a] One response to this question was not usable.

[b] The assumed hypothesis was based on independent owners' answers, as no franchised owners picked this choice.

outcome. If they are in such a situation they prefer taking no risks at all. McClelland also relates that as they have high confidence in their ability, entrepreneurial types prefer moderate goals in which they have a responsible role in producing the outcome.[1]

A request was made of the owners in this sample to indicate a gambling situation they would rather be in. The choices were: (1) playing poker with inexperienced players (in which they would have total control over the outcome); (2) playing golf, billiards, etc., with a player of equal ability (which would reflect achievement motivation); (3) lottery or "football pool," etc. (player would have no control over the outcome); (4) "I have no aversion to any gambling situation--I like them all" (shows a high risk-taking tolerance); and (5) "I would not gamble money away under any circumstances." If the individual possesses high achievement motivation he should answer either choice 2 or 5, according to McClelland's theory. The results of this question are shown in Table 20.

Of the franchisees answering the question, 87.0 percent reflected an achievement-oriented reaction to a risk situation (by answering choices 2 or 5). Of the independent owners, 89.8 percent reflected an achievement-oriented reaction to a risk situation, but with a much higher percentage not willing to gamble at all.

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[1]McClelland and Winters, Motivating Economic Achievement, p. 51.

TABLE 20

WILLINGNESS TO TAKE RISK AS REFLECTED IN GAMBLING SITUATIONS

The gambling situation the owner would rather be in:	All Firms		Franchised Firms		Independent Firms		Significance Test		
	No.	%	No.	%	No.	%	Hypothesis: P=	Derived Value z=	Significant Difference
Playing poker, etc. with inexperienced players	1	1.4	0	0	1	2.0	.020[b]	- .69	No
Playing golf, billiards, etc. with player of equal ability	34	47.2	12	52.2	22	44.9	.522	-1.01	No
Lottery or football pool, etc.	0	0	0	0	0	0	-	-	-
No aversion to any gambling situation--likes them all	7	9.7	3	13.0	4	8.2	.130	- .97	No
Would not gamble money away under any circumstances	30	41.7	8	34.8	22	44.9	.348	+1.49	No
Totals[a]	72	100.0	23	100.0	49	100.0			

[a]One response to this question was not usable.

[b]The assumed hypothesis was based on independent owners' answers, as no franchised owners picked this choice.

Owner's Degree of Conformity with the Protestant Ethic

An attempt was made to test the validity of the "protestant ethic" as an influencing factor on present-day franchised and independent entrepreneurs. A strong correlation should reflect the traditional entrepreneur and a tendency toward the power motive, according to Collins.[1] The results of this question are shown in Table 21.

Awareness of Entrepreneurs in the Study

The owners were asked to answer a series of six questions that would reflect their awareness of the total business situation, including: (1) their awareness of the needs of a new business, (2) their awareness of the need for business educational background; (3) their expectations of their own business growth; (4) their anticipation of future growth through awareness of customers' feelings; (5) their idea of what long-range planning should involve; and (6) their awareness of their own employees.

Owners' Opinions of the Needs of a New Business

The President's Task Force on Improving the Prospects of Small Business stated:

> What then are the major problems that confront small business? Studies reviewed by the Task Force indicate that they fall in three categories.

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[1]Collins, Moore, and Unwalla, The Enterprising Man, p. 59.

TABLE 21

OWNER'S DEGREE OF CONFORMITY WITH THE PROTESTANT ETHIC

Owner's agreement that it is desirable:	All Firms		Franchised Firms		Independent Firms		Significance Test		
	No.	%	No.	%	No.	%	Hypothesis: P=	Derived Value z=	Significant Difference
To obey all laws, at all costs:									
Yes	47	68.1	16	72.7	31	66.0	.727	-1.04	No
No	22	31.9	6	27.3	16	34.0	.273	+1.04	No
Total[a]	69	100.0	22	100.0	47	100.0			
To pay all debts, at any sacrifice:									
Yes	57	78.1	18	78.3	39	78.0	.783	- .05	No
No	16	21.9	5	21.7	11	22.0	.217	+ .05	No
Total	73	100.0	23	100.0	50	100.0			
To work hard:									
Yes	70	97.2	21	91.3	49	100.0	.913	+2.15	Yes
No	2	2.8	2	8.7	0	0	.007	-2.15	Yes
Total[b]	72	100.0	23	100.0	49	100.0			
To be thrifty:									
Yes	65	92.9	22	95.7	43	91.5	.957	-1.44	No
No	5	7.1	1	4.3	4	8.5	.043	+1.44	No
Total[c]	70	100.0	23	100.0	47	100.0			
To accumulate much wealth:									
Yes	40	59.7	13	59.1	27	60.0	.591	+ .12	No
No	27	40.3	9	40.9	18	40.0	.409	- .12	No
Total[d]	67	100.0	22	100.0	45	100.0			

[a]Four responses to this question were unusable.

[b]One response to this question was unusable.

[c]Three responses to this question were unusable.

[d]Seven responses to this question were unusable.

> First is the need for sound management counseling.
> Second is the need for people and especially for trained people.
> Third are the needs for capital and for due consideration of the special financial problems small firms may face in their early years.[1]

In assessing the causes of business failures in 1969, Dun and Bradstreet listed these causes as follows:[2]

Cause	Percent
Neglect	2.8%
Fraud	1.2
Lack of experience in the line	8.7
Lack of managerial experience	13.7
Unbalanced experience[a]	19.5
Incompetence	45.6
Disaster	1.4
Reason unknown	7.1
Total	100.0%

[a]Experience not well rounded in sales, finance, purchasing, and production on the part of the individual in the case of a proprietorship, or of two or more partners or officers constituting a management unit.

Upon studying the various causes of failures of businesses, it becomes evident that the lack of capital, the lack of financial backing, or the lack of adequately trained people are not listed as causes of business failures. However, when the lack of experience in the line,

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[1]President's Task Force, Improving the Prospects, p. 3.

[2]Dun and Bradstreet, Failure Record, p. 11.

lack of managerial experience, unbalanced experience, and incompetence were grouped together under one heading and labeled "lack of proper management due to inexperience or incompetence," this category accounted for a full 87.5 percent of business failures in 1969. With published reports concerning the business failure rate showing such a large extent of failures due to improper management, it would appear that business owners would be aware of the extreme importance of proper management counseling. The results of the question "Please rank the needs of a new business in order of importance" are shown in Table 22.

As can be seen from this tabulation, independent owners appear to be more aware than franchised owners of the importance of sound management. Both groups, however, rate the need for capital and sound financial backing as the most important need of a new business. On the basis of these results, it can be said that only about one-half of current small business owners are aware of the extreme importance of proper management, despite the fact that, far above all other reasons, it may make the difference between success and failure of their business.

Influence of Business Knowledge and Business Educational Background on Owners' Business Choice

The owners were asked to relate how personal business knowledge and business educational background

TABLE 22

OWNERS' OPINIONS OF THE NEEDS OF A NEW BUSINESS

Needs of a new business:	All Firms		Franchised Firms		Independent Firms		Significance Test		
	No.	%	No.	%	No.	%	Hypothesis: P=	Derived Value z=	Significant Difference
An adequate number of capable, well-trained people	13	18.3	5	22.7	8	16.3	.227	-1.06	No
Sound management counseling	21	29.6	5	22.7	16	31.7	.227	+1.66	No
Capital and sound financial backing	37	52.1	12	54.6	25	51.0	.546	- .50	No
Totals[a]	71	100.0	22	100.0	49	100.0			

[a]Two responses to this question were not usable.

influenced their business choice. The results are shown in Table 23.

It is of interest that of the franchised owners, a full 27.3 percent stated that they knew enough business to go into about anything, and that this was no influence on their business choice. Of the independent owners, only 8.2 percent had this opinion. The greatest percentage of franchised owners felt that they did not have adequate business knowledge at the time they entered the business, but they have since acquired it. The majority of owners having this opinion put "experience" as the method by which they had acquired this knowledge. A few had participated in Small Business Administration management courses or franchised courses.

The greatest percentage of independent owners stated that they have adequate business knowledge for their business, but not enough probably for other types. The opinion that they needed more business education ranked second lowest among the independent owners, while this choice was the very lowest among the franchised owners. From this statistic it can be observed that although independent owners feel a slightly greater need for continued business education, both categories of owners taken together lack adequate awareness of the extreme importance of continuing their business education in order to cope with diverse business problems.

TABLE 23

INFLUENCE OF BUSINESS KNOWLEDGE AND BUSINESS EDUCATIONAL BACKGROUND ON OWNER'S BUSINESS CHOICE

	All Firms		Franchised Firms		Independent Firms		Significance Test		
	No.	%	No.	%	No.	%	Hypothesis: P=	Derived Value z=	Significant Difference
No influence at all. I know as much business as I need to know to go into about anything	10	14.1	6	27.3	4	8.1	.273	-3.02	Yes
I have adequate business knowledge for this business, but not enough probably for other types	26	36.6	6	27.3	20	40.8	.273	+2.12	Yes
I didn't have adequate business knowledge when I entered this business, but I have acquired it	23	32.4	7	31.8	16	32.7	.318	+ .13	No
I feel I need more business education because of the diverse business problems that come up all the time. When I entered the business I didn't realize how much a person needed to know	12	16.9	3	13.6	9	18.4	.136	+ .97	No
Totals[a]	71	100.0	22	100.0	49	100.0			

[a]Two responses were not usable.

The first three choices may be grouped together, since they all indicate a confident feeling of adequate knowledge, with no other business education necessary. A full 86.4 percent of the franchised owners fell into this new category, with only 13.6 percent feeling a need for further business training. Of the independent owners, 81.6 percent fell into this group, while 18.4 percent fell into the group that felt a need for further business training.

Owners' Expectance of Business Growth Over the Next Five Years

In an effort to obtain the owners' feelings about the future growth of their business, they were asked to state what their business would do over the next five years. The choices were limited to: "be about the same," "grow at a steady rate," "double," or "more than double." The results are shown in Table 24.

Overall, the owners felt that their business would grow at a steady rate. There is a difference between the franchised owners and the independent owners, however, The independent owners' second highest choice was that their business would double over the next five years, while none of the franchised owners thought their business would double; instead, the second highest choice of the franchised owners was that their business would more than double.

TABLE 24

OWNER'S EXPECTANCE OF BUSINESS GROWTH OVER THE NEXT FIVE YEARS

Expected Growth	All Firms		Franchised Firms		Independent Firms		Significance Test		
	No.	%	No.	%	No.	%	Hypothesis: P=	Derived Value z=	Significant Difference
About the same (no growth)	4	5.6	1	4.4	3	6.1	.044	+ .58	No
Steady growth	41	56.9	15	65.2	26	53.1	.652	-1.79	No
Expected to double	11	15.3	0	0	11	22.4	.224[b]	-2.58	Yes
Expected to more than double	16	22.2	7	30.4	9	18.4	.304	-1.83	No
Totals[a]	72	100.0	23	100.0	49	100.0			

[a]One response to this question was not usable.

[b]The assumed hypothesis was based on independent owners' answers, as no franchised owners picked this choice.

Owners' View of the Importance of Long-Range Planning

After the owners were asked how they felt their business would grow over the next five years, they were asked how they thought long-range planning should be carried out, if at all. The results are shown in Table 25.

The franchised owners had an overall higher percentage (80.9 percent) stating that long-range planning should be either detailed and intensive or extensive but flexible. Of the independent owners, 76.0 percent had this opinion. It is reassuring that such a large majority feel that long-range planning should be formally carried out.

Owners' Methods of Anticipating Future Growth in Sales and Continued Customer Satisfaction

In an attempt to discover the degree of awareness of the owners for their own customers, the question was asked: "Is there some method by which you can anticipate growth in future sales and general customer satisfaction guaranteeing they will continue to buy your product?" The owners were given two choices, and the results are shown in Table 26.

Overall, the majority of owners feel that the customers' opinions are important. It is apparent that the independent owners have a higher awareness of customers and their importance, because 76.1 percent fell into this category. Of the franchised owners, 65.2 percent fell into

TABLE 25

OWNER'S VIEW OF THE IMPORTANCE OF LONG-RANGE PLANNING

Long-range planning:	All Firms		Franchised Firms		Independent Firms		Significance Test		
	No.	%	No.	%	No.	%	Hypothesis: P=	Derived Value z=	Significant Difference
Should be intensive and detailed	7	9.9	3	14.3	4	8.0	.143	-1.27	No
Should be extensive but flexible	48	67.6	14	66.6	34	68.0	.666	+ .21	No
Should be only in moderate amounts	8	11.3	2	9.5	6	12.0	.095	+ .60	No
Should be in the form of loose ideas only	5	7.0	1	4.8	4	8.0	.048	+1.06	No
Is not necessary--take care of the present and the future will take care of itself	3	4.2	1	4.8	2	4.0	.048	- .26	No
Totals[a]	71	100.0	21	100.0	50	100.0			

[a]Two responses to this question were not usable.

TABLE 26

OWNER'S METHOD OF ANTICIPATING FUTURE GROWTH IN SALES AND CONTINUED CUSTOMER SATISFACTION

Method of Anticipation:	All Firms		Franchised Firms		Independent Firms		Significance Test		
	No.	%	No.	%	No.	%	Hypothesis: P=	Derived Value z=	Significant Difference
By trying to find out what the customers want and like about the product, through comments and opinions, and then trying to improve our product and shift to their demand	50	72.5	15	65.2	35	76.1	.652	+1.56	No
Future growth is generally almost guaranteed because we produce a superior product, the price is right, and the customers must be satisfied because they keep coming back	19	27.5	8	34.8	11	23.9	.348	-1.56	No
Totals[a]	69	100.0	23	100.0	46	100.0			

[a]Four responses to this question were not usable.

this category. The difference did not prove to be significant at the .05 level, however.

Owners' Awareness of Morale in Their Business

In an effort to discover the degree of awareness of the owners for the feelings of their own employees, the question was asked: "How is morale in your business?" The results are shown in Table 27.

The independent owners rate higher in awareness of employees. Nearly one out of two said that morale was mixed, but that he made an attempt to keep track of morale problems. Conversely, three franchised owners out of four said that morale was usually excellent and that when business is good, morale is up. This actually is the projection of the owner's own good morale as a result of good business. This point is brought out by Schrage when he states that the unaware employer, or "loser," as he calls him, "sees his own elation over incoming orders as the prime determinant of morale in the shop."[1]

In an effort to show overall awareness of the owners, an aggregate table is shown as Table 28. From the results of grouping all the awareness responses into one table, it can be seen that generally the independent owner is the more aware. Overall, the franchised owners are 40.5 percent "aware," and the independent owners 49.0 percent "aware."

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[1]Schrage, "The R&D Entrepreneur," p. 62.

TABLE 27

OWNERS' AWARENESS OF MORALE IN THEIR BUSINESS

Opinion on Morale:	All Firms		Franchised Firms		Independent Firms		Significance Test		
	No.	%	No.	%	No.	%	Hypothesis: P=	Derived Value z=	Significant Difference
Morale is mixed, with some optimism and some pessimism; I try to keep track of morale problems	27	37.0	5	21.7	22	44.0	.217	+3.83	Yes
Morale is excellent, usually. There always are some complainers, but when business is good morale is up.	46	63.0	18	78.3	28	56.0	.783	-3.83	Yes
Totals	73	100.0	23	100.0	50	100.0			

TABLE 28

AWARENESS OF OWNERS, SHOWN BY THEIR RESPONSES[a]

Response That Reflects Awareness:	Franchised Firms		Independent Firms	
That management is the most important need of a business	5	22.7	16	31.7
Lacking	17	77.3	33	68.3
That business knowledge is important in any business	3	13.6	9	18.4
Lacking	19	86.4	40	81.6
That long-range planning is important in any business	17	80.9	38	76.0
Lacking	4	19.1	12	24.0
That the customer's demand is important in any business	15	65.2	35	76.1
Lacking	8	34.8	11	23.9
Of the needs of their own employees	5	21.7	22	44.0
Lacking	18	78.3	28	56.0
Total "aware" responses	45		120	
Total "unaware" responses	66		124	
Total responses	111		244	
Percent "aware"		40.5		49.0

[a]This integrated table was taken from Tables 22, 23, 25, 26, and 27.

The franchised owner is more aware of the importance of long-range planning than the independent owner. All owners show a percentagewise greater awareness of the importance of long-range planning and of the influence of customer demand. In all other categories, however, the owners reflect a lack of awareness.

CHAPTER VI

SUMMARY AND CONCLUSIONS

The main purpose of this study, as stated in Chapter I, is an attempt to discover differences in the motivational aspects of franchised business owners and independent business owners in the small business community. Along with the growing popularity of the franchising concept, new and different aspects of entrepreneurial motivation may have arisen. In review, the factors and influences that cause a person to enter a franchised business may not be the same as those that cause a person to form his own independent business, and it is this possible array of differences that constitutes the basis for this study. As the applications of the franchising concept have grown at a tremendous rate in the past decade, with expectations for a continuing high rate of growth, the possible importance of discovering differences in the motivational makeup of franchised and independent owners should not be overlooked.

Before discussion of the findings pertinent to the primary research question of this study, a review of the subsidiary questions and a summary of the research which answers these questions comprises the following paragraphs.

In the review of the literature concerning the role of small business in America, the question arose: What is the importance of small business in the American economy? The small business has been extremely important in the American free enterprise system. At times, it is hard to imagine the tremendously powerful corporations of our day as having begun, possibly not too many years ago, as small businesses under the guidance of aspiring entrepreneurs. It is equally hard to imagine that this same process is taking place today, at this moment, with many aspiring entrepreneurs struggling to build businesses, a few of which will grow to become important corporate giants of the future. A more sobering thought is that while many survive, and a few "strike it rich," a much larger number of new businesses fail annually, with tremendous loss to the individuals involved, their creditors, and the Gross National Product of the United States.

With the plight of the struggling small business in mind, the question was asked: What are the major problems of small business? The major problem of the small businessman, though not recognized by him as such, is poor management. The small businessman recognizes other problems as being more important, such as good personnel and adequate capital financing. What he apparently does not recognize is that over the long run, proper management will be his most important asset. In the federal government, the Small

Business Administration and the Commerce Department especially recognize the need for management training for small businessmen. Programs have been established, especially by the Small Business Administration, which undoubtedly have helped, but still the failure rate climbs. The number of failures, with bankruptcy or actual loss to creditors, rose 17 percent, from 1969 to 1970.[1]

In further considering the small businessman and his problems, the question was asked: What is the importance of the franchised small business concept? As a business concept, the franchise system seems to hold many possibilities for alleviating this failure record. It combines the aspects of big business--the economy of scale, automatic data processing, large advertising campaigns, nationwide goodwill, economic trend analysis, and much more--with the desirable aspects of small business--attentive good service, owner-manager motivation, pride in one's own business, and so on. By furnishing managerial training and supervision, along with guidelines and in some cases strict marketing and accounting rules to follow, the typical parent company, or franchisor, insures good management. The franchisee typically is buoyed up by the efforts of the franchisor, because of the detrimental effect of failure on the image of the parent company. The result has been a notable reduction in the failure rate of franchised businesses,

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[1]Small Business Administration, 1970 Annual Report, p. 18.

to something less than 4 percent, as compared with 30 percent of independent businesses that fail in their first year.[1] In return for the franchisor's invaluable assistance, the franchisee sacrifices some of his independence and freedom of action in decision making.

The question was asked: What is meant by the term "entrepreneur"? Briefly, the term is derived from the same Latin root word that forms the term "enterprise." As strictly defined, entrepreneur means "a person who organizes, manages, and assumes responsibility for a business or other enterprise."[2] For the purposes of this study, the term "entrepreneur" is interpreted to mean a man actively engaged in his own business, either franchised or independent.

In considering the entrepreneur further, the question was asked: What are some theories on entrepreneurial motivation? The subject of entrepreneurial motivation has been studied by many authorities, resulting in varying theories, some in actual conflict with each other. One theory, which possibly could be called the traditional view of the entrepreneur, states that he is motivated by a need for power, in that he resents the authority of others (an authoritarian father or boss) and strives for independence.

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[1]Magee, "Fast Food Franchising," pp. 2-3.

[2]Random House Dictionary (1968), p. 442.

Money serves as a symbol of the degree of power attained.[1]

Another theory is built upon a need for achievement by the entrepreneurial personality. This achievement drive naturally draws a person to the entrepreneurial role, because, in his own business, money is a natural symbol which proves the person is achieving. The quest for making money through entrepreneurship promises him the feedback he seeks, which tells him his degree of achievement. The achievement-minded person also displays other traits, such as a liking for personal responsibility, a preference for working with experts, a dislike of committee situations, a willingness to take calculated risks, and a preference for moderate achievement goals.[2]

Although not a major theory, but one uncovered during research, is that anxiety, or awareness of impaired performance, is possibly the true motivator of the entrepreneur. When a person gets behind in his work, he becomes anxious and then strives to improve his performance. This theory is carried further, in that findings have shown that not just awareness of his own impaired performance, but also overall awareness of his business, his customers, and his employees dictates his degree of entrepreneurial success.[3]

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[1]Collins, Moore, and Unwalla, The Enterprising Man.

[2]McClelland and Winter, Motivating Economic Achievement.

[3]Schrage, "The R&D Entrepreneur," pp. 56-59.

Although not conducive to entrepreneurial activity, the need for affiliation is another motivator. This need may actually hinder rather than assist the development of a business, because a person possessing such a need would probably rather be with his friends than at work in his business.[1]

From the foregoing research conducted on small businesses, and with entrepreneurship serving as a base, a questionnaire was designed to reflect the characteristics, motivations, and opinions of small business owners, both franchised and independent. From a current list of 2,930 small businesses supplied by the Small Business Administration, 240 were selected on a random basis to receive the questionnaire. Of the 73 complete and usable responses, 23 were from franchised business owners and 50 were from independent business owners. For the statistical analysis of the differences in answers to the questions, the .05 level of significance was chosen. Prior to the mailing of the questionnaires, the question arose: What are the characteristics of the entrepreneurs of the study?

The typical small business owner in the study is a forty-three-year-old male, native to the region,[2] though two respondents were female. The typical owner had his first job at the age of fifteen, and, coming from an

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[1]McClelland and Winter, Motivating Economic Achievement, p. 15.

[2]For regional breakdown, see Table 5, supra, p. 36.

entrepreneurial family background,[1] first went into business at the age of thirty-two. He has owned the present business for about five years and employes an average of about seventeen people. His business probably started as a single proprietorship, but now exists as a corporation. The typical owner has graduated from high school and has attended college, although he may not have stayed to earn a degree. Although there was no overall statistical difference in the educational levels of the owners of the study, a statistically significant difference does exist between the franchised and the independent business owners that attended college. A larger percentage (32.0 percent) of independent owners attending college received no degree, while of the franchised owners, only 17.4 percent received no degree.

Besides the general overall characteristics of the owners, certain specific characteristics reflected differences in the franchised and the independent owners.

In the keeping of financial records, franchised owners rated significantly higher in their reliance on an independent accountant, while independent owners showed a higher propensity for keeping their own books. Similarly, the greatest percentage of franchised owners tended to prepare monthly financial statements, while a significant number of independent owners prepared only annual financial statements.

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[1]See supra, pp. 35-37.

The typical owner rated his business about average riskwise, with no apparently significant difference between franchised and independent owners. One interesting difference, however, in the characteristics of the franchised and the independent owners, is their fathers' locations of birth. A significantly larger percentage (25 percent versus 12 percent) of franchised owners had foreign-born fathers.

The characteristic reasons for entering business on their own differed somewhat, in that a significantly greater number of independent owners went on their own because of an inspiration or urging of a family member, friend, or boss. On the other hand, although a majority of all the owners reflected this feeling, a significantly greater number of franchised owners were happy to leave their jobs and get their businesses started. The greatest percentage of franchised owners recognized an opportunity and entered a particular business, while a significantly greater percentage of independent owners chose a particular business because of prior knowledge or familiarity with it.

While the greatest percentage of all owners said their age was no influence at all, a significantly larger percentage of independent owners, as compared with franchised owners, would not have tried to go into business at a younger age.

The foregoing summary of the general characteristics of the owners in this study leads to the subsidiary

question: What are the motivations of the entrepreneurs in the study? Eight of every ten owners in the study entered their own businesses in order to do something important and challenging and to put true abilities and creative talent to work. This clearly shows achievement orientation, but there was no statistically significant difference between franchised and independent owners.

A more marked difference between the motivations of franchised and independent owners was reflected in the stated types of business goals they set for themselves. Eight of every ten independent owners set moderately difficult, achievement-oriented goals, while only five of every ten franchised owners did so.

Both the independent and the franchised owners expressed preference for individual rather than group decision making. There was no significant difference between the two groups in answering this question. Likewise, the greatest percentage of owners preferred experts over friends as working partners. Six of every ten chose this response, and there was no significant difference between the two groups.

The owners seemed to be well aware of the negative aspects of a high achievement drive, including feelings of restlessness, overwork, neglect of family, and lack of time for hobbies and related activities. No significant difference appeared in the overwork or neglect of family

categories, but a significantly greater percentage of franchised owners showed restlessness and felt they had less time for hobbies and other activities than they would like.

The owners reflected primarily achievement orientation in their leisure-time thoughts, followed closely by affiliation-oriented thoughts and last by power-oriented thoughts. No significant difference exists between the answers of the two groups. Similarly, the owners' motivations to produce reflect primarily achievement orientation, with anxiety motivation a distant second. Finally, a very low percentage reflected power-oriented motivation. Again, there was no statistically significant difference the two groups in answer to this question.

The willingness of owners to take risks, as reflected by their preference of gambling situations, clearly showed achievement motivation, with nine out of every ten choosing achievement-related responses. There was no significant difference between the answers of the two groups.

The owners showed high correlation overall with the protestant ethic. The only statistically significant difference was that 100 percent of the independent owners felt that it was good to work hard. This is not to say that franchised owners are lazy, because 91.3 percent of them also felt it was good to work hard.

The foregoing summary of the series of motivation-oriented questions and their corresponding tables (see Chapter V) lead to the restatement of the research question primary to this study:

> What motivational differences exist between franchised and independent entrepreneurs in small business establishments?

The differences themselves, though summarized in the previous paragraphs, are perhaps best displayed in tabular form. Tables 13 through 20 contain answers that show achievement motivation, power motivation, affiliation motivation, or anxiety motivation. The total number of responses in each category are grouped in aggregate and shown in Table 29. As can be seen from the evidence in this table, no significant differences appear to exist between the motivations of franchised and independent owners. However, in a continuing effort to arrive at an overall statement regarding the motivations of these two groups, another grouping of data was made. Only the responses in which there were statistically significant differences are aggregated and shown in Table 30. As evidenced by this tabulation, the following motivational difference appears to exist: independent owners show a higher tendency than franchised owners toward achievement motivation, while franchised owners show a higher tendency than independent owners toward power motivation and affiliation motivation. The two groups do not differ significantly in anxiety motivation.

TABLE 29

MOTIVATION-ORIENTED RESPONSES OF OWNERS

	Franchised		Independent	
	No.	%	No.	%
Achievement-oriented responses (Tables 13-20)	179	80.0	375	80.0
Power-oriented responses (Tables 13, 14, 18-20)	10	4.5	23	4.9
Affiliation-oriented responses (Tables 14, 15, 16, 18)	30	13.5	62	13.2
Anxiety-oriented responses (Table 19)	4	2.0	8	1.9
Total responses	223	100.0	468	100.0

TABLE 30

MOTIVATION-ORIENTED RESPONSES OF OWNERS TO QUESTIONS WHERE A SIGNIFICANT DIFFERENCE WAS NOTED BETWEEN FRANCHISED AND INDEPENDENT OWNERS' ANSWERS

	Franchised		Independent	
	No.	%	No.	%
Achievement-oriented responses (Tables 14-17)	49	81.7	104	93.0
Power-oriented responses (Table 14)	5	8.3	4	3.5
Affiliation-oriented responses (Table 14)	6	10.0	4	3.5
Total responses	60	100.0	112	100.0

Note:

No anxiety-oriented responses are included because a significant difference was not noted between the answers of franchised and independent owners.

In addition to motivational differences, the entrepreneurs displayed varying degrees of awareness. The subsidiary question was asked: "How aware are franchised and independent entrepreneurs of the needs of: a small business in general, their own business in particular; their customers; their employees?"

In the category of the needs of a small business, the owners overall show very low awareness. As stated in Chapter II, the major problem facing a small business, which will probably spell success or failure, is management.

The owners in this study, with no apparently significant difference between franchised and independent owners, ranked the needs for capital and sound financial backing as the most important, with sound management counseling second, and good personnel third. This ranking reflects either an overconfident or an uninformed small businessman, because the reason for 90 percent of business failures is bad management.[1]

After reflecting lack of awareness of the needs of a new business, the owners followed suit with reflecting apparent overconfidence in their own business knowledge. Especially the franchised owners showed this tendency, with three out of every ten saying they know as much business as they need to enter about any type of business. Only

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[1]Dun and Bradstreet, Failure Record, p. 2.

approximately one in ten franchised owners and two in ten independent owners said that they had a continuing need to learn more business.

In reflecting awareness of their own business, the biggest percentage of all owners said they expected steady growth over the next five years. They followed this opinion by stating that generally they felt a definite need for long-range planning, whether detailed or flexible. This response reflects a positive awareness of the needs of their own business and the importance of long-range planning. There was no significant difference in the answers of the two groups.

In reflecting their awareness of the importance of customers, the owners overall rated high. A slightly lower percentage of franchised owners showed this awareness, but the difference is not significant.

In reflecting awareness of their own employees, the independent owners ranked higher than the franchised owners, but both groups had a majority choosing the answer that showed a lack of awareness.

In the final analysis, general conclusions can be drawn regarding differences between independent and franchised entrepreneurs in this study.

Independent owners appear to be primarily achievement motivated. They are more apt than franchised owners to be aware of the needs of a new business, of their own business, and of their customers and employees.

Franchised owners, on the other hand, also appear to be primarily achievement motivated, but they are higher in power motivation and affiliation motivation than the independent owners. They appear generally to be less aware of the business environment than the independent owners, though they are more aware of the importance of long-range planning.

The conclusions drawn from the comparison made in this study, which seems to show franchised owners as less achievement oriented and generally less aware than their independent counterparts, may have uncovered a potential problem area of franchising. Or, perhaps this is merely a reflection of the general type of entrepreneurial person that gravitates to the business franchise. This person, it would seem from the evidence displayed, has less concern for many of the needs of a business, the customers, the employees, and so on, because the way he deals with these aspects is dictated to him to a degree by the central management of the franchising chain. He has sacrificed his freedom of action as an owner to a certain extent, but he has also dispensed with many of the problems that are constantly on the mind of his independent counterpart in business. Perhaps his greater tendency away from achievement motivation toward affiliation- or power-oriented motivation can be explained in much the same way. He has much of the achievement-oriented work done for him, and by

not having to be bothered by some of the problems of his independent counterpart, he may gain needed satisfaction merely from having more free time for his family and his hobbies. He may similarly show a power motive by developing his franchise, because it is "his" and "he paid for it," even though he may not have done it independently. Again, much of the achievement-oriented work is done for him, so power-oriented thoughts perhaps take up more of this person's time.

The independent entrepreneur, by being more highly achievement motivated and possessing a generally higher business awareness, is possibly only reflecting the fact that he must have a higher degree of these ingredients for success, because they are not done for him as they are for the franchisee.

In consideration of the possibilities of delving further into the entrepreneurship realm, certain other research questions arise. One such question is: What of the female entrepreneur? In this study, two of the usable questionnaires were from females. If a larger sample could be gathered, possibly meaningful research could be done in the area of female entrepreneurship.

Another research area of possible interest is the teaching of entrepreneurship. Pilot programs have been instituted by a few universities, and a look into the results could be worthwhile. The work of David C.

McClelland, which is relied on heavily in this study, is also of particular interest in the area of teaching achievement motivation.

An additional area for research is the changing role which perhaps entrepreneurship itself is assuming in our society. With increased leisure time, mobility, and standard of living, perhaps men will increasingly show less motivation to undergo the trials of entrepreneurship; perhaps it will become more "low key" in character.

The franchising concept, and the possibilities it carries with it for reducing huge corporations to the "human scale," could be researched from an organizational viewpoint. Perhaps more large corporations, in attempting to decentralize, could build around a sort of franchising concept and thereby attract innovative persons with entrepreneurial spirit and energy into management "franchises."

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APPENDIX A

COVER LETTER FOR QUESTIONNAIRE

F.R. Schenck
The George Washington University
Hall of Government, Room 206
710 Twenty-First St., N.W.
Washington, D.C. 20006
December 6, 1971

Dear Sir:

Small business problems and issues have come to be questions of extreme importance on the national economic scene. Small businesses account for approximately 95% of America's business population and employ 35 million workers. Small business is important and essential for a healthy American economy.

The enclosed postage-paid questionaire is part of a study whose purpose is to find out if there are motivational differences between franchised owners and individual owners. It is hoped that the results of this study will reveal what additional assistance, if any, is needed by persons currently in business or contemplating going into their own business. Such assistance may come in the form of business education or an increase in the motivation to achieve.

As a member of the Small business Community, you represent the very essence of the Great American Dream -- having one's own business. Although it is admitted there is no specific monetary advantage to you, your opinions, feelings, and candid responses are important, and will greatly enhance the findings of this study. If you are interested in receiving information on the results of the study, please indicate below. Your reply is needed because those who receive the questionaire were selected on a scientific basis to enable a cross-section sampling of a specific geographic and economic region.

The questionaires are to remain strictly confidential. We are interested in types of businesses and answers to questions, not in names, and names will not be used in the report. The results will be tabulated according to "type of business". We would appreciate your giving the questionaire your soonest considered judgement.

Sincerely Yours,

F.R. Schenck

FRS:mks

Do you wish to receive a copy of the report on the results of this study?

☐ YES

☐ NO

APPENDIX B

THE QUESTIONNAIRE

This questionaire is to be used in connection with a study project at the Graduate School of Business Administration THE GEORGE WASHINGTON UNIVERSITY

1. What type Business do you own?
☐ Franchised ☐ Individually Owned
Owner

2. What does your Business supply?
☐ A Service ☐ A Product
☐ Other:_____

3. How long have you owned the Business?
☐ 20+ Years ☐ 10+ Years ☐ 5-10 Years ☐ 1-5 Years ☐ 0-1

4. How was your Business started?
☐ A single Proprietorship
☐ A Partnership
☐ A corporation

5. Of what form is your Business now?
☐ A corporation
☐ A Partnership
☐ A single Proprietorship

6. How many people do you employ?
☐☐☐☐ people.

7. What individual keeps your financial records?
☐ Owner
☐ Independent Accountant
☐ An employee ☐ None Kept

8. How often do you prepare your financial statements?
☐ Monthly
☐ Quarterly ☐ Semi-annually
☐ Annually ☐ None prepared

9. How would you rate your type of Business?
☐ Riskless
☐ Not much risk--fairly stable
☐ About average, riskwise
☐ On the risky side
☐ Very risky

10. Please indicate your sex and age:
☐ Male ☐ Female. Age_____

11. What was your birth State?_____

12. Indicate the age at which you had your first job._____

13. Indicate the age at which you first went into business for yourself____.

14. Did you complete high school?
☐ Yes ☐ No

15. Have you attended college?
☐ Yes ☐ No If Yes, Degree?
☐ No ☐ Bach. ☐ Masters ☐ Ph.D.

16. Please indicate any business-type educational experience you have had.
_____
_____

17. Please incicate your Father's place of birth. _____

18. Please indicate your Father's line of business.
☐ Unskilled or semiskilled laborer
☐ Skilled laborer
☐ Farmer
☐ Clerk or Salesman
☐ Minor Executive
☐ Owner of Small Business
☐ Major Executive
☐ Owner of large Business
☐ Professional man
☐ Other_____

PLEASE CONTINUE ON NEXT PAGE

19. Which of the two statements below best describes the reason you chose to go into business?.
- ☐ To make money; to become as rich and powerful as possible because money is the score-card of success.
- ☐ To do something important and challenging; to put my true abilities and creative talent to work.

20. Which of the following would you say describes the real "push" that influenced you to go into your own business?
- ☐ It came as an inspiration or urging from a family member, friend or boss.
- ☐ It was the realization that I had gone about as far as I could go in my former job.
- ☐ It was making up my mind that I was going into business now and cutting short just the thinking about it.
- ☐ I didn't know exactly what business I was going into, but I knew one thing--I had worked for my last boss!

21. How did you feel about leaving your previous job to start a business?
- ☐ Forced to leave--did not have a choice.
- ☐ Happy to leave and get my business started.
- ☐ Frustrated in my previous job and would have quit soon anyway.

22. Would you rank the following from one to five expressing your reasons for entering this particular business?
- ☐ Knowledge of or familiarity with the business.
- ☐ Ambition for higher income.
- ☐ Independence ☐ Security
- ☐ Recognition of opportunity

23. Please rank the needs of a new business in order of importance.
- ☐ An adequate number of capable, well-trained people.
- ☐ Sound management counseling.
- ☐ Capital and sound financial backing.

24. How did your age influence you in your choice to go into business?
- ☐ No influence, I would have done the same at any age.
- ☐ If I had been younger I wouldn't have tried it.
- ☐ If I had been older I wouldn't have tried it.

25. How do you feel your business knowledge and business educational background influenced your business choice?
- ☐ No influence at all. I know as much business as I need to know to go into about anything.
- ☐ I have adequate business knowledge for this business but not enough probably for other types.
- ☐ I didn't have adequate business knowledge when I entered this business, but I have acquired it through_____
- ☐ I feel I need more business education because of the diverse business problems that come up all the time--when I entered the business I didn't realize how much a person needed to know.

26. What type of business goals would you set for yourself?
- ☐ Easily attainable, so I can pursue other interests and hobbies.
- ☐ Moderately difficult goals, including calculated risks; when I achieve these goals I would set other, more difficult goals.
- ☐ Very difficult goals that would pay off tremendously if attained, but if not attained they were probably too difficult for any man to reach.

PLEASE CONTINUE ON NEXT PAGE

27. In solving a business problem, would you rather make the final decision ☐ individually, or ☐ using a group of persons?

28. In setting up a new business, or in solving current business problems, would you rather work with ☐ friends who have worked in the field, or ☐ experts.

29. Do you ever feel that you:
show restlessness? ☐yes ☐no

overwork yourself? ☐yes ☐no

neglect your family? ☐yes ☐no

have less time for hobbies, etc. than you would like? ☐yes ☐no

30. What types of things do you think about if you are not actively involved in solving a particular business problem?
☐ Recreation with family/friends

☐ Solving current problems in a better way.

☐ Who is winning? Which one of us is boss? etc.

31. In each of the following cases, do you believe it is desirable:
☐yes ☐no To obey all laws at all costs?

☐yes ☐no To pay all debts, at any sacrifice?

☐yes ☐no To work hard?

☐yes ☐no To be thrifty?

☐yes ☐no To accumulate much wealth?

32. I get best results from myself:
☐ when I get behind and have to really push to catch up.

☐ When I feel I'm really going somewhere; business is good.

☐ when I feel I'm a real symbol of power and success.

33. Please indicate the situation you would rather be in:
☐ Playing poker with inexperienced players.

☐ Playing golf, billiards, etc., with a player of equal ability.

☐ Lottery or "Football pool", etc.

☐ I have no aversion to any gambling situation--I like them all.

☐ I would not gamble money away under any circumstances.

34. Over the next five years, do you expect your business to: ☐be about the same ☐grow at steady rate ☐double, or ☐more than double.

35. Is there some method by which you can anticipate growth in future sales and general customer satisfaction guaranteeing they will continue to buy your product?
☐ By trying to find out what the customers want and like about the product, through comments and opinions, and then trying to improve our product and shift to their demand.

☐ Future growth is generally almost guaranteed because we produce a superior product, the price is right, and the customers must be satisfied because they keep coming back.

36. I feel that long range planning should be: ☐ Intensive and detailed ☐ Extensive, but flexible ☐ Only in moderate amounts ☐ In the form of loose ideas only, or ☐ I feel no long range planning is really necessary--take care of the present and the future will take care of itself

37. How is morale in your business?
☐ Mixed, with some optimism and some pessimism; I try to keep track of morale problems.

☐ Excellent, usually. There always are some complainers, but when business is good morale is up.

THANK YOU VERY MUCH FOR YOUR KIND COOPERATION. PLEASE SEAL AND MAIL.

APPENDIX C

FOLLOW-UP LETTER FOR QUESTIONNAIRE

F.R. Schenck
The George Washington University
Hall of Government, Room 206
710 Twenty-First Street, N.W.
Washington, D.C. 20006
January 1972

Dear Businessman:

We recently mailed you a questionaire concerning your business background and your motivations to enter into business for yourself. Those who received the form were selected on a scientific basis to enable a cross-section sampling of a specific geographic and economic region.

Your reply is needed in order that we might determine as accurately as possible the motivational patterns of men who enter business for themselves. It is hoped that this study will reveal valuable information useful in supporting existing and future business education efforts by Government and Universities.

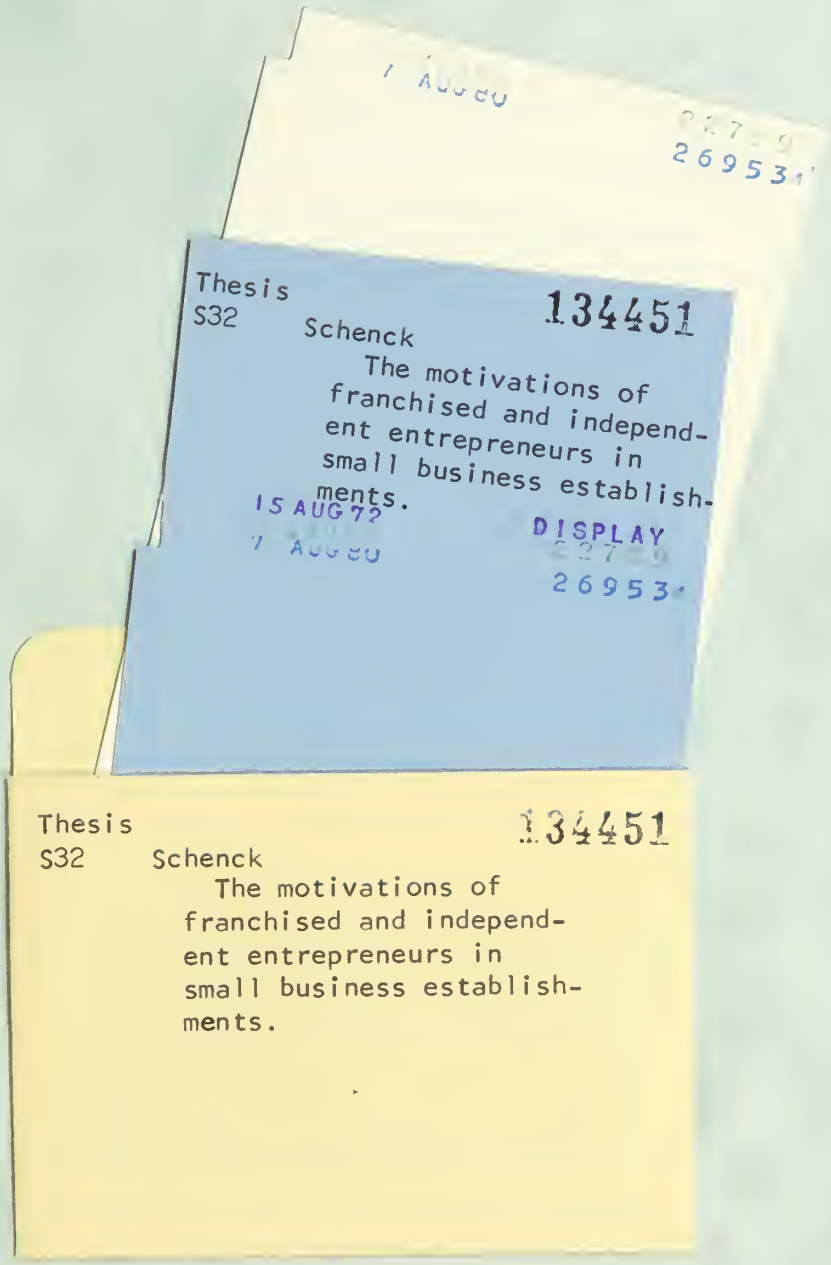
If you have already returned the completed form, please excuse this reminder. On the other hand, if you have postponed completing it, please complete and return it as soon as possible.

We appreciate your interest and cooperation in this undertaking.

Sincerely,

F.R. Schenck

FRS/mks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